



North Carolina Department of Environment and Natural Resources

Pat McCrory  
Governor

John E. Skvarla, III  
Secretary

November 11, 2014

**MEMORANDUM**

TO: THE ENVIRONMENTAL REVIEW COMMISSION  
The Honorable Mike Hager, Co-Chair  
The Honorable Ruth Samuelson, Co-Chair  
The Honorable Brent Jackson, Co-Chair

JOINT LEGISLATIVE COMMITTEE ON GOVERNMENTAL OPERATIONS  
The Honorable Thom Tillis, Co-Chair  
The Honorable Phil Berger, Co-Chair

FISCAL RESEARCH DIVISION

FROM: Neal Robbins, Director of Legislative Affairs

SUBJECT: Annual Report on Water Infrastructure Fund

DATE: November 11, 2014

Pursuant to G.S. 159G-26(a), the Department must publish a report each year on the accounts in the Water Infrastructure Fund that are administered by the Division of Water Infrastructure. The report must be published by 1 November of each year and cover the preceding fiscal year. The Department must make the report available to the public and must give a copy of the report to the Environmental Review Commission and the Fiscal Research Division of the Legislative Services Commission. Please consider the attached as the formal submission this report.

If you have any questions or need additional information, please contact me by phone at (919) 707-8618 or via e-mail at [neal.robbs@ncdenr.gov](mailto:neal.robbs@ncdenr.gov).

cc: Mitch Gillespie, Assistant Secretary for Environment, NCDENR  
Michael Ellison, Director Ecosystem Enhancement Program, NCDENR



# Division of Water Infrastructure Annual Reports

Fiscal Year 2013-2014

September 30, 2014



*Financing Community Water Needs*



## Executive Summary

### History

Historically, grants were provided to local government units (LGUs) for the purpose of improving their wastewater infrastructure to meet new (at the time) Federal mandates. In the late 1980's, the Clean Water State Revolving Fund (CWSRF) replaced the Construction Grants program as part of the Title VI of the Federal Water Pollution Control Act (a.k.a. the Clean Water Act) of 1987. Shortly thereafter, the former Construction Grants and Loans Section made its first CWSRF loan.

The Amendments to the Safe Drinking Water Act of 1996 (SDWA) established the Drinking Water State Revolving Fund (DWSRF), which is a revolving loan program that makes loans to Public Water Supply Systems (PWSS). Historically, the Public Water Supply Section of the Division of Water Resources (DWR) made these loans.

In the late 1990's, the North Carolina General Assembly (NCGA), created the state wastewater reserve (SWWR) and drinking water reserve (SDWR) programs that provide both loans and grants. While the grant program did not receive additional funds, the

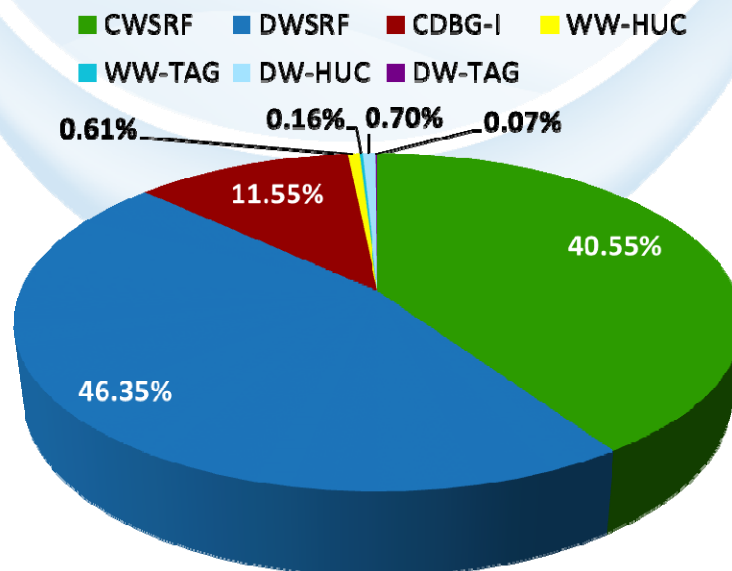
State Revolving Loan (SRL) and State Emergency Loan programs (SEL) continued to operate with loan repayments as a source for new loans. The respective divisions within the DWQ and DWR administered the loan programs for the SWWR and SDWR, respectively.

With the passage of SL 2013-360 in 2013, the NCGA created a new division named the Division of Water Infrastructure (the Division). The Division now houses all wastewater and drinking water funding programs for the State or North Carolina, including the CWSRF, DWSRF, SWWR, and SDWR.

Additionally, the legislation broke out the infrastructure portion of the Community Development Block Grant Program (CDBG-I) so that the Division administers that program as well. The legislative report submitted to the General Assembly by the Department of Commerce contains more information related to this program.

Figure 1 shows the percentage breakdown of funds awarded from different programs during the past two

Figure 1. Breakdown of Total Funded Projects by Funding Program



state fiscal years (FY 2012-2013 and FY 2013-2014). Note that the CWSRF and DWSRF funds amount to nearly 90 percent of the available funds as the loan

programs utilize both new federal and state funds as well as loan repayments as a source of funding.

## State Water Infrastructure Authority

The 2013 legislation that created the Division also created the State Water Infrastructure Authority (the Authority). The Authority consists of nine members, three *ex officio* members, two members appointed by the North Carolina House of Representatives, two members appointed by the North Carolina Senate, and two members appointed by the Governor. Among

other duties, the Authority approves prioritization criteria and awards funding based on applications submitted and scored by Division staff.

## Basic Process

All of the funding programs managed by the Division have at least one round of funding per year. Applicants prepare an application with portions that are common to all programs and portions such as the priority rating system scoring sheets that are unique to each program. Division staff then score the applications, rank them, and provide recommendations to the Authority related to the CWSRF, DWSRF, and CDBG-I programs. Regarding the High Unit Cost (HUC) grant and Technical Assistance Grant (TAG) programs, the Division only ranks the applications and

provides a set of four lists that covers wastewater HUC grants (WW-HUC), drinking water HUC grants (DW-HUC), wastewater TAG (WW-TAG), and drinking water TAG (DW-TAG). The Authority then utilizes these lists to determine how to utilize the state grants between these four programs.

Table 1 shows the amount of application funding requests received over the past two years and the amount of funds offered by program.

Table 1. Amount of Funding Requested and Offered During FY 2014

| Funding Program     | September 2013 Funding Round    |                            |                               |                           | April 2014 Funding Round                         |   |  |  |
|---------------------|---------------------------------|----------------------------|-------------------------------|---------------------------|--|---|--|--|
|                     | Number of Applications Received | Amount of Funding Requests | Number of Applications Funded | Amount of Funding Offered | Number of New Applications Received <sup>d</sup> | Amount of New Funding Requests <sup>d</sup> | Number of Applications Funded <sup>e</sup> | Amount of Funding Offered <sup>e</sup> |
| CWSRF               | 35                              | \$134,784,749              | 13                            | \$41,538,493              | 26   | \$44,586,853                                | 20   | \$50,080,535                           |
| DWSRF               | 66                              | \$281,561,269              | 32                            | \$104,713,919             | N/A <sup>a</sup>                                 |   |  |  |
| CDBG-I <sup>b</sup> | N/A                             |                            |                               |                           | 132  | \$184,762,845                               | 15   | \$26,086,865                           |
| WW-HUC              | N/A <sup>c</sup>                |                            |                               |                           | 18   | \$14,626,551                                | 2  | \$1,377,600                            |
| WW-TAG              |                                 |                            |                               |                           | 21   | \$999,400                                   | 8  | \$365,400                              |
| DW-HUC              |                                 |                            |                               |                           | 9  | \$8,434,214                                 | 1  | \$1,589,550                            |
| DW-TAG              |                                 |                            |                               |                           | 8  | \$360,500                                   | 4  | \$165,500                              |

<sup>a</sup>DWSRF did not have an April 2014 round due to availability of funds.

<sup>b</sup>CDBG-I had two rounds to dispense funds, one in April 2014 and one in May 2014. All CDBG-I activities are accounted for in the April 2014 round.

<sup>c</sup>Inaugural round of grant funding occurred in April 2014.

<sup>d</sup>This column does not include applications that rolled over from the previous rounds.

<sup>e</sup>For the CWSRF program, includes applications that initially were submitted in the April 2014 round as well as those that were submitted in the September 2013 round and reconsidered as required by statute.

## Clean Water State Revolving Fund

Congress structured the CWSRF program to provide a long-term funding source for clean water infrastructure. These funds must be used to fund projects that assist in compliance with the CWA first. EPA oversees the CWSRF to ensure states meet the federal requirements. See Table 1 for the amount of funding requests and projects funded for the CWSRF.

For more information related to the CWSRF program, please see Attachment A, which contains the CWSRF annual report.

## Drinking Water State Revolving Fund

As part of the Amendments to the Safe Drinking Water Act in 1996 (SDWA), Congress created the DWSRF program to provide a long-term funding source for drinking water infrastructure. These funds must be used to fund projects that improve the drinking water of public water supply systems and to administer the requirements of the SDWA..

For more information regarding the DWSRF, please see Attachment B, which contains the annual report for the DWSRF.

## State Reserve Loan Programs

Similar to the CWSRF and DWSRF, the SWWR and SDWR offers funds that may be loaned to LGUs for funding wastewater and drinking water infrastructure needs. As previously noted, the drinking water SRL and SEL are currently inactive due to defunding of the programs.

The wastewater SRL and SEL program funded all applications received. Attachment C contains the annual report for the loan aspects of the SWWR and SDWR.

## State Reserve Grant Programs

Part of the legislation passed in the Summer of 2013 authorized the Division to offer \$3.5 million in both HUC grants and TAGs under the SWWR and SDWR programs. The purpose of these grant fund was to offer LGUs in Tier 1 and Tier 2 communities who have financial hardships grant funding to address critical needs. Table 1 above shows the amount

of grant applications received for the HUC grants and TAGs and the amount of projects funded. See Appendix C for the annual report for the grant aspects of the SWWR and SDWR.

## Community Development Block Grant—Infrastructure

The CDBG-I portion of community development block grant funds within the state is to offer funds for critical water infrastructure needs to communities who meet the federal qualifications by having at least a 51 percent low-to-moderate income population who are considered to be a non-entitlement community (e.g., units of general local government with populations less than 40,000 people or counties with populations less than 200,000 people). These units of general local government may use the funds to rehabilitate,

repair, or replace failing wastewater or drinking water infrastructure.

For more information related to the CDBG-I program, please see the legislative report submitted to the General Assembly.





# Clean Water State Revolving Fund Annual Report

State of North Carolina

Fiscal Year 2013-2014

September 30, 2014



*Financing Community Water Needs*



## Table of Contents

|   |    |
|---|----|
| Introduction.....   | 3  |
| Overview of Program History.....  | 3  |
| Program History.....  | 3  |
| Financial History.....  | 4  |
| Clean Water State Revolving Fund Programmatic Goals.....                | 5  |
| Short-Term Goals.....   | 5  |
| Long-Term Goals.....  | 5  |
| MBE/WBE Goals.....  | 7  |
| Project Funding.....  | 7  |
| Prioritization .....  | 8  |
| Funding Schedule.....   | 9  |
| CWSRF Base Program .....  | 9  |
| Principal Forgiveness.....  | 11 |
| ZeroPercent Interest .....  | 12 |
| Green Project Reserve.....  | 12 |
| Environmental Benefits of CWSRF Funding .....                           | 14 |
| Impaired Waters.....  | 14 |
| Implementation of Basinwide Plans .....                                 | 14 |
| Distribution of Funded Projects .....                                   | 15 |
| Long-Term Financial Health of Program .....                             | 16 |
| Appendix A — Status of Recent Projects                                  |    |
| Appendix B — Binding Commitments by Quarter                             |    |
| Appendix C — Clean Water Benefits Reporting (CBR) System Summary Report |    |
| Appendix D — Financial Exhibits   |    |



## Introduction

The Division of Water Infrastructure (the Division) was created within the North Carolina Department of Environment and Natural Resources (NCDENR). The Division administers financial assistance programs to assist local government units (LGUs) in constructing projects that both benefit water quality and improve the human environment.

Specifically, the Division administers the Clean Water State Revolving Fund (CWSRF) program as established by Title VI of the Federal Water Pollution Control Act (a.k.a. Clean Water Act [CWA]) as amended in 1987. The CWSRF offers low-interest loans to LGUs at interest rates lower than market rates for clean water infrastructure. As a LGU

repays the loan, the monies are again loaned out, hence the revolving nature of the program. All loan repayments go back into the CWSRF.

As part of its operating agreement with the United States Environmental Protection Agency (USEPA) and in accordance with the CWA, the Division must submit an annual report to the USEPA that details the activities for the state fiscal year. For the purposes of this report, the most recently completed fiscal year is FY 2013-2014.

The following sections discuss (1) the overview of the program, (2) the CWSRF goals, (3) project funding, (4) environmental benefits of the CWSRF funding, and (5) long-term financial health.

## Overview of Program History

In order to understand why the program functions as it currently does, it is important to gain an understanding of its past history. This section discusses the historic

process as well as the financial history associated with the program.

### Program History

The CWSRF program replaced the Construction Grants program in the late 1980's. The purpose of the grants program established during the early 1970's was to provide funding for LGUs to improve their wastewater infrastructure to meet new (at the time) Federal mandates, including minimum treatment requirements associated with changes in the Clean Water Act in 1972.

In 1989, Title VI of the CWA created the CWSRF program to replace the grants program as a way to establish a sustainable financing program consisting of low-interest loans to LGUs for the same purposes of improving water quality and the human environment.

The 2013 legislation that created the Division also created the State



Pump station that is part of the Gaston County CWSRF project (CS370718-01)





*We have found the entire [CWSRF] process to be straight-forward and easy to use. The guidance documents are very helpful in ensuring that the required information is provided to NCDENR staff and that the project schedule is maintained.*

—John Allen, P.E.,  
Public Works Commission,  
Fayetteville, NC

Water Infrastructure Authority (the Authority). The Authority consists of nine members, three *ex officio* members, two members appointed by the North Carolina House of Representatives, two members appointed by the North Carolina Senate, and two members appointed by the Governor. The legislation includes twelve tasks for Authority members.

Among those tasks, the Authority must (1) establish priorities for making loans and grants that are consistent with Federal law; (2) review the criteria for making loans and grants, which includes any recommendations for additional criteria; (3) develop guidelines for making loans and grants; and (4) review recommendations for grants and loans as submitted by Division staff to determine the

rank of applications and to select the applications that are eligible to receive grants and loans. Since the CWSRF program falls under the purview of the Division, all priorities must be approved by the Authority, and all funding applications that will receive funding must be approved by the Authority.

Throughout the programmatic changes, the CWSRF program has provided financing for clean water infrastructure for the past twenty years, saving LGUs in North Carolina millions of dollars in interest costs. The savings make clean water infrastructure more affordable for citizens of the state.

## Financial History

Congress appropriates an overall CWSRF funding level that is allocated to states based on percentages in the Clean Water Act. This allocation has not been updated since the 1987 amendments. The North Carolina allocation is approximately 1.8 percent of the national appropriation. Capitalization grants, including the required state match, have provided \$816,504,754 (including the American Reinvestment and Recovery Act grant) for CWA projects since the inception of the program in 1987. However, since the CWSRF is a revolving program, these government funds have enabled \$1,719,193,753 in loan commitments over this same time period. This is due to loan repayments being loaned again,

thereby providing public benefits repeatedly through time (i.e., the revolving nature of the program). If capitalization grants are increased, the program will better be able to meet infrastructure financing needs for LGUs.

The section on the long-term financing health of the program contains more information about the financial aspects of the program.



## Clean Water State Revolving Fund Programmatic Goals

The CWA requires that the state identify the goals and objectives of the CWSRF as part of the Intended Use Plan (IUP) for the CWSRF.

The overall goal of the CWSRF program is to provide funding for clean water infrastructure while advancing the overall mission of the Division of Water Resources

(DWR) to protect and enhance North Carolina's surface and groundwater resources for the citizens of North Carolina and future generations. This overarching goal is supported by several short- and long-term goals that are discussed below.

### Short-Term Goals

As part of the Fiscal Year 2014 IUP, the Division developed two short-term goals. First, the Division planned to continue efforts to streamline the funding process to ensure the funds are used in an expeditious and timely manner in accordance with §602 (b)(4) of the CWA. As a result, funded projects were required over the past fiscal year to meet a 25-month schedule that is further discussed in the section on project funding cycles (see Page 7).

Second, the Division planned significant efforts to inform LGUs of the availability of funds, benefits of the CWSRF program, and funding process improvements. Division staff attended and spoke at several events throughout the

past year, including the North Carolina Rural Water Association's annual conference, the American Water Works Association—North Carolina Water Environment Association's spring conference, and other meetings of professional organizations. Additionally, Division staff have provided training opportunities for both those who wish to apply to the CWSRF program and those who have received funding. The February 2014 training had approximately 50 attendees while the July 2014 training had approximately 100 attendees. The Division will continue to look for opportunities to conduct outreach on the advantages of the CWSRF program.

### Long-Term Goals

In addition to short-term goals, the Division developed long-term goals that will be implemented not just in the span of one year but over the course of several years. The following discusses


each of the long-term goals and how the Division has either begun or continues to implement these long-term goals.

**Goal #1: To provide effective**



*Over the past four cycles, the CWSRF program has funded 77 projects with approximately \$290 million.*





*The City-County Utilities Commission South Fork Improvements Program project is a \$110M program consisting of nine separate construction projects being designed and managed as a single program. Essential to the success of the program for Winston-Salem was identifying and leveraging funding assistance, including State Revolving Fund Projects.*

*—Kent Lackey, P.E.,  
Black & Veatch Inter-  
national Company*

**project management to improve the pace of the revolving fund.**

By revising its funding process and placing all applicants on a 25-month funding schedule, the Division has ensured that all projects will move through the system from application to executed construction contract in a timely manner. The Division will continue to partner with funding recipients to help ensure projects adhere to the schedule. At the end of SFY 2013-2014, the Division reduced CWSRF unliquidated obligations to \$282,743. The pace for the North Carolina CWSRF program continues to exceed the national average. Figure 11 under the discussion related to long-term financial health shows the dramatic increase in binding commitments over the life of the program.

**Goal #2: To aid compliance with state and Federal water quality standards by all funded publicly owned wastewater treatment works.** The Division has taken a two-pronged approach to ensure that this long-term goal is met. First, the priority points system highly prioritizes projects that will rehabilitate, replace, or repair equipment that is aging and in need of repair, which aids in the compliance of existing wastewater treatment infrastructure. Additionally, projects that implement a basinwide strategy, benefit an impaired or sensitive water, or address groundwater violations are more highly prioritized.

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

funding process (e.g., engineering report review, plans and bid documentation review, contract review, and construction inspection), Division staff ensure the wastewater infrastructure projects that are being funded through the CWSRF are technically sound facilities that will be compliant with all Federal and state regulations.

**Goal #4: To ensure the long-term viability of the CWSRF program through effective financial practices.** By changing its funding process schedule, the Division has ensured that not only will funds flow out in a timely manner but also will be repaid in a timely manner. As the pace from funding to construction increases, loan repayments then begin sooner, therefore making revolving funds available sooner for additional loans. In addition, all funds/projects are managed in accordance with Federal and state requirements. All fund investments are managed by the State Treasurer's office; however, the Division seeks to maximize loans to LGUs, resulting in minimum fund balances managed by the Treasurer's office.

**Goal #5: To ensure the priority system reflects the Division of Water Resources goals.** Every year as the IUP is prepared, the Division reviews the priority points utilized to score applicants' projects during each review cycle. Additionally, Division staff present the Authority with staff recommendations related for the priority systems for their review and consideration to be included in future funding rounds.



## MBE/WBE Goals

In the CWSRF grant agreement, the Division negotiated the following objectives and goals related to small, minority, and women's business enterprises (MBE/WBE): a fair share objective of \$250,000 split as follows: 10.9 percent to go to MBEs and split across construction, supplies, services, and equipment and (2) 10.4 percent to go to WBEs and split across construction, supplies, ser-

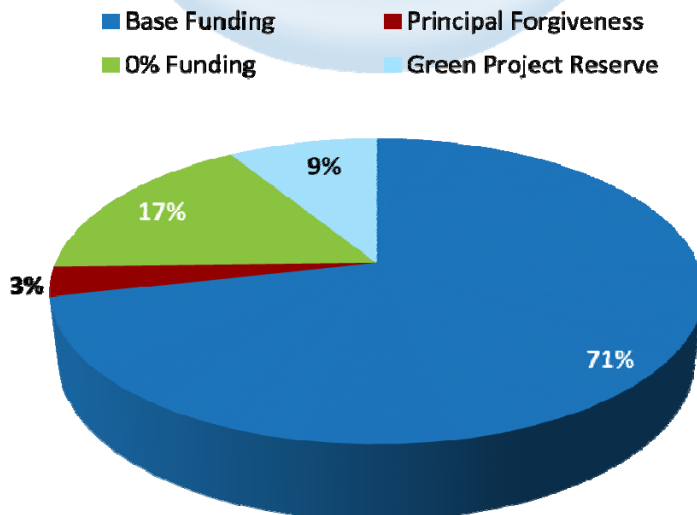
vices, and equipment. The total amount of MBE procurement during FY 2013-2014 was 4.65 percent. The total amount of WBE procurement was 10.36 percent.

## Project Funding

There are two funding rounds each year with application deadlines typically on March 1<sup>st</sup> and September 1<sup>st</sup>. Due to delays related to the formation of the Authority, the deadline for the March 1<sup>st</sup> round was extended to April 1<sup>st</sup>. Applications are reviewed and prioritized in six weeks, and Division staff makes recommendations to the Authority upon completion of application review.

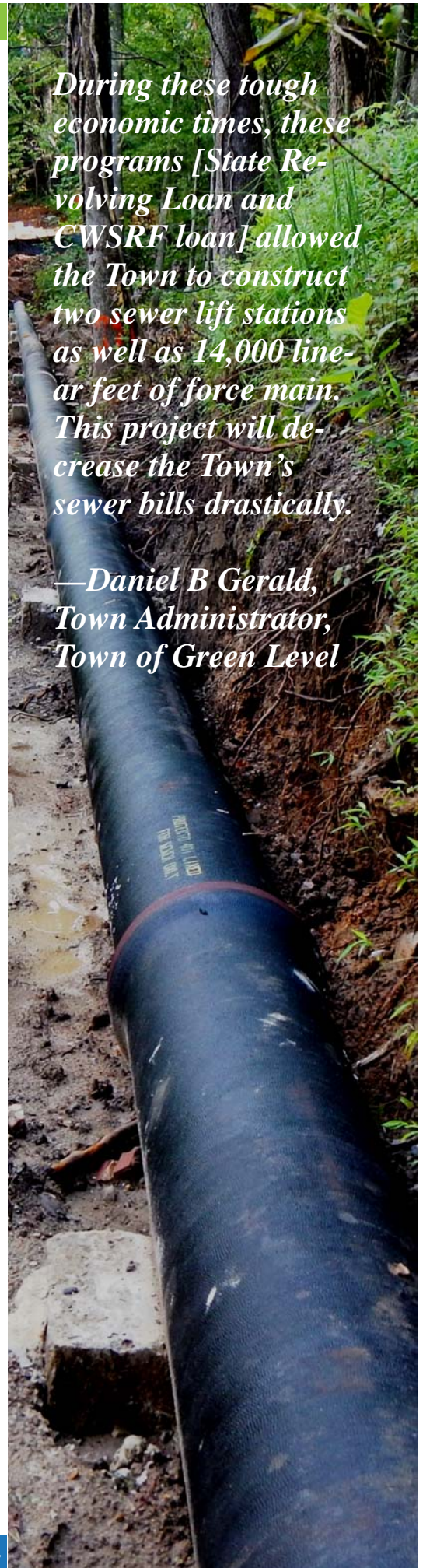
Successful projects may be funded under the base CWSRF loan program or under one of the special programs provided. Currently, principal forgiveness is allowed under capitalization grants as provided by specific Congressional authority. There are two special interest rate programs: zero percent interest funds and a green project reserve. Figure 1 shows the breakdown of total funding across the different fund-

Figure 1. CWSRF Funding by Targeted Program



*During these tough economic times, these programs [State Revolving Loan and CWSRF loan] allowed the Town to construct two sewer lift stations as well as 14,000 linear feet of force main. This project will decrease the Town's sewer bills drastically.*

*—Daniel B Gerald,  
Town Administrator,  
Town of Green Level*





*Loan terms for all CWSRF loans are twenty years.*

ing programs. The following sections discuss the overall schedule and each of the four funding types. Since a full cycle is 25 months, four cycles are examined in this

report: September 2012, March 2013, September 2013, and April 2014.

## Prioritization

The prioritization system developed by the Division and approved by the Authority considers four elements of a project: (1) project type, (2) environmental benefit, (3) system management, (4) financial situation.

For project type, the Authority places higher priority on projects that repair, rehabilitate, or replace infrastructure that has already been installed for either wastewater treatment plants or collection systems rather than on projects that are new or expansions. Projects that reduce nonpoint source pollution (e.g., stormwater best management practices) are also prioritized more highly.

Figure 2 shows the breakdown of funded projects by funding type.

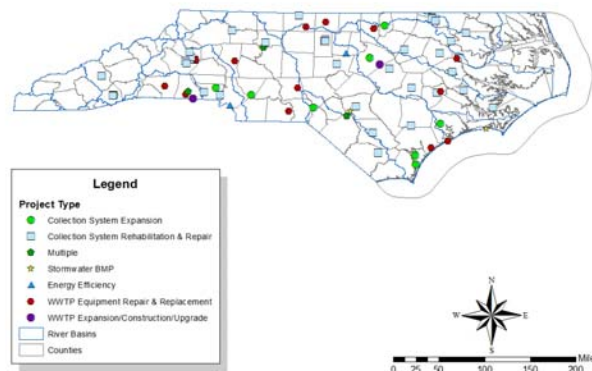
In terms of environmental benefits, projects that seek to either proactively benefit the environment or correct water quality issues receive

points for environmental benefits. For example, the Authority more highly prioritizes projects implementing basinwide strategies, projects correcting groundwater violations, or projects directly benefitting impaired waters.

In addition to correcting water quality issues, the Authority supports those LGUs that seek to be proactive in their system management, including prioritization points for asset management plans and appropriate operating ratios.

Last, the Authority has taken into account the financial situation of LGUs. Those LGUs who have a high poverty rate and/or high utility bills relative to median household income receive higher priority than other LGUs.

**Figure 2. Distribution of Projects by Funding Type**





## Funding Schedule

The schedule that all applicants must follow if they choose to accept CWSRF funding includes the following: (1) application received, (2) engineering report / environmental information document approved, (3) plans and bid documentation approved, (4) Authority to Award issued, and (5) construction contracts executed. This system requires that both the Division and applicant meet these deadlines as well as additional interim deadlines.

For example, each review cycle is at a different stage in the process. Projects in the September 2012

cycle began construction no later than July 2014. Projects in the March 2013 cycle have recently reached the plans and bid documentation approval stage. Projects in the September 2013 cycle are completing the engineering report / environmental information document review and approval process. Last, projects in the April 2014 cycle are currently preparing their engineering reports / environmental information documents. The projects funded in these cycles are shown in Figure 3 and are presented in Appendix A.

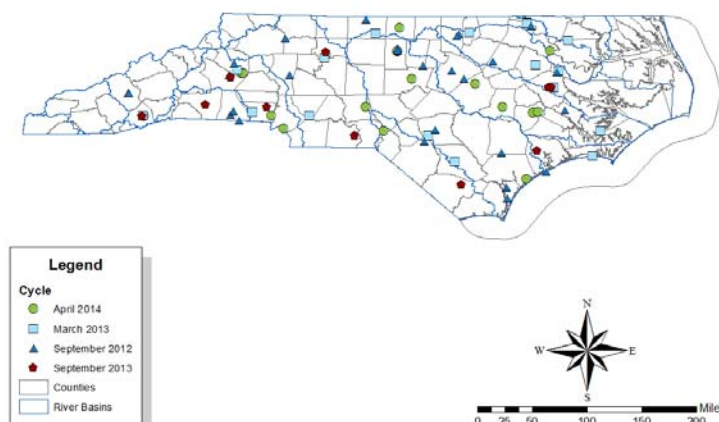
## CWSRF Base Program

The base program is the core of the loan program; all special programs (e.g., principal forgiveness) represent a departure from the base program. As shown in Figure 1, the base CWSRF program provides the vast majority of loans made with

CWSRF funds. This is because not all projects meet the requirements of the other three funding methods, including many larger projects (e.g., wastewater treatment plant expansion).

According to the IUP, individual

Figure 3. Distribution of Projects by Review Cycle



*The CWSRF program prioritizes nine types of projects such as collection system rehabilitation and replacement and wastewater treatment plant equipment repair and replacement.*



Construction that is part of the South Granville Water and Sewer Authority Wastewater Treatment Plant (CS370925-02)



*The City of Greenville will save millions of dollars on the Town Creek Culvert Drainage Improvement Project thanks to an interest-free loan from the state [CWSRF-Green Project Reserve, CS370487-10].*

*—from  
www.greenvillenc.gov,  
City News page*

projects may not have a loan amount greater than one-half the overall assistance level of the round, and one applicant may not take on CWSRF debt exceeding \$100 million. However, there may be cases where these limits may be exceeded to help ensure that all available funds are utilized during each cycle. The base program offers loans at one-half the market rate as established by The Bond Buyer's Index. The current CWSRF interest rate is 2.21 percent.

In addition, interest does not start accruing until the contract completion date, which provides additional interest savings for the LGUs. The maximum term for CWSRF loans is twenty years.

All projects must meet Federal requirements for the CWSRF program such as the requirement of Davis-Bacon prevailing wage rates. These requirements may

be directly from the CWA or from specific Federal appropriation bills that provide capitalization grants.

Figure 4 shows the percentage of project types funded by the base program. The figure shows that the rehabilitation project types (Collection System Rehabilitation & Repair and WWTP Equipment Repair & Replacement) make up only twenty-nine percent of the CWSRF base funding spent.

This is because these projects tend to score higher in the priority system and are also eligible for zero-percent funding if they meet certain financial requirements.

As a result, the base program tends to fund expansion projects as well as those rehabilitation projects that do not meet the financial requirements discussed in the next section.

**Figure 4. Percentage of CWSRF Base Program Project Funds by Project Type**





## Principal Forgiveness

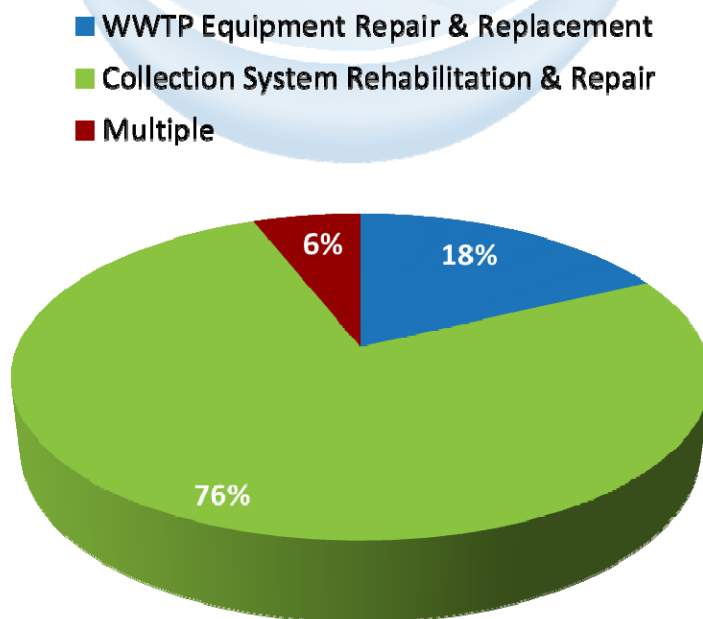
Principal forgiveness is one of the special funding methods offered by the CWSRF program. It can only be offered when specifically allowed through Congressional appropriations. Over the last four funding cycles, twenty loans have included over \$8 million in principal forgiveness. The demand for principal forgiveness has always exceeded availability.

Additionally, principal forgiveness is restricted to half of the total funding amount not to exceed a maximum of \$1 million. For the balance of the funds needed for the project, a zero-percent interest rate is offered. Principal forgiveness is not available for any projects that would qualify under the green project reserve.

Principal forgiveness is awarded

not only based on eligibility but also on the priority of the project. Figure 5 shows the projects that received principal forgiveness broken out by type. As clearly shown in the figure, the vast majority of projects receiving principal forgiveness were collection system rehabilitation and replacement projects. Unlike the FY 2012-2013 annual report, this year's report indicates no wastewater treatment plant expansion projects due to the fact that this project was in a previous cycle not considered for this report.

Figure 5. Percentage of Principal Forgiveness Funds Distributed by Project Type



Pipe installation as part of the Eden Kuder Street rehabilitation project (CS370458-05)

*Eden is a small community and could not afford the massive sewer rehabilitation projects that need to be done in years, not decades. The Clean Water State Revolving Fund has provided financing for this project with a zero-interest loan with principal forgiveness. This financial help has allowed our City to move forward with this project and the additional projects that are needed to satisfy the conditions of the Administrative Order we have.*

*—Terry Shelton, Director of Environmental Services, City of Eden*



*The year-over-year reductions in energy use intensity have been substantial. Since the second train was placed in service in April, the monthly energy use intensity values have been about 25 to 34 percent less than the values for the same month in the prior year.*

*—Pat Davis, Sustainability Manager, Orange Water and Sewer Authority, regarding the improvements at the Mason Farm WWP*

Orange Water and Sewer Authority installation of aeration and mixing system at the Mason Farm WWTP (CS370562-05)



## Zero-Percent Interest

The Division has begun to offer zero-percent loans for certain disadvantaged communities with rehabilitation-type projects (i.e., collection system rehabilitation/ replacement, wastewater treatment plant equipment rehabilitation/ replacement/ upgrade, collection system expansion to remove failing septic systems). To qualify for this interest rate, LGUs must meet the above-noted principal forgiveness criteria.

This special loan program recognizes the continuing need for affordable clean water infrastructure in these communities in combination with a limited

amount of principal forgiveness available as well as decreases in other grants offered through other funding programs. Figure 6 shows the funds from the zero-percent program spent by project type for the project cycles under consideration.

Over thirty projects of the seventy-three projects considered in this report received zero-percent funding. Similarly to last year, almost all of these funds were utilized for collection system rehabilitation and wastewater treatment plant equipment repair and replacement (approximately ninety-eight percent).

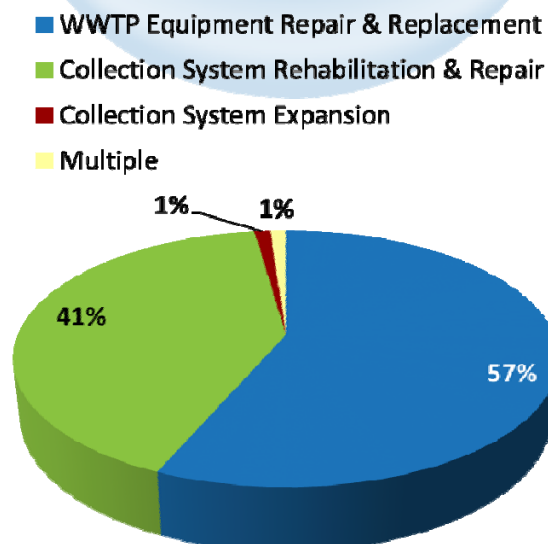
## Green Project Reserve

Recent Federal appropriations include a green project reserve (GPR), which are CWSRF funds that are set aside for use only for projects that are deemed

to be green by EPA. Categories prioritized by the Authority include:

- Reclaimed water systems

Figure 6. Percentage of Zero-Percent Interest Funds Distributed by Project Type



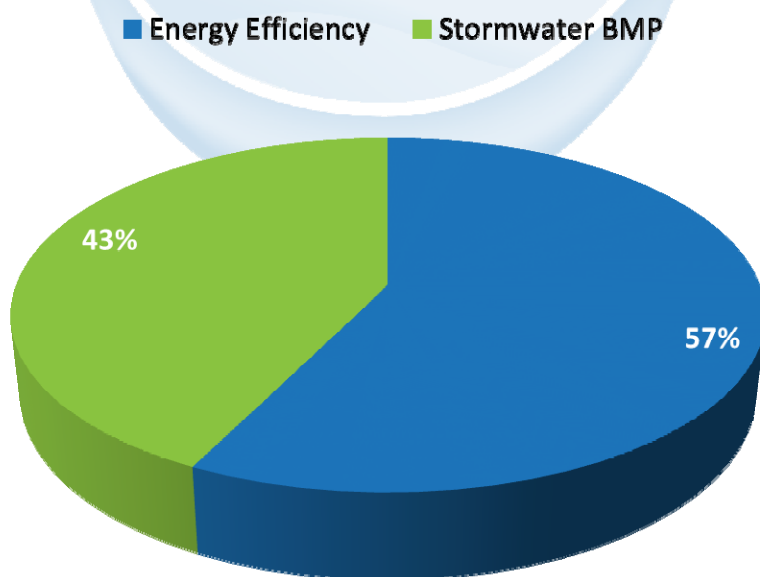


- Stormwater best management practices (BMPs)
- Stream, wetland, and/or buffer restoration,
- Energy efficiency wastewater infrastructure projects, and
- Rainwater harvesting projects.

Beginning in 2010, all capitalization grants have required ten percent of the grant be provided for green projects; however, this is subject to availability of projects meeting these criteria. The Division offers zero-percent interest rates for all green projects regardless of cost. Principal forgiveness is not available for GPR projects. The Division has presented information at various seminars and conferences soliciting green projects as part of the short-term goals. Figure 7 presents the percentage of the GPR funds utilized for each project type.

Note that for the project cycles under consideration, there were no wetland / stream / buffer restoration projects, reclaimed water projects, or rainwater harvesting projects. In this report, the funding split between stormwater BMP projects and energy efficiency projects is almost even (fifty-seven percent and forty-three percent, respectively), a dramatic shift from the previous report. This is due to an extensive stormwater project funded in the September 2013 round.

Figure 7. Percentage of Green Project Reserve Funds Distributed by Project Type



Outfall at Level Spreader, Pine Knoll Shores East End Drainage Project (CS370717-01)

*[The East End Drainage Project] would not have been possible without assistance from the Division of Water Infrastructure. Pine Knoll Shores received a zero-interest loan for this critical public works project.*

*—B.J. Kramer, Town Manager, Pine Knoll Shores*



## Environmental Benefits of CWSRF Funding

*One of the main roles of the CWSRF loan program is to provide funding to local government units for projects that protect and improve both groundwater and surface water quality.*

One of the primary goals of CWSRF funding is to fund projects that benefit the natural environment. The Clean Water Benefits Reporting (CBR) system was established by the USEPA to track the way that different projects benefit the environment and a variety of environmental results data is maintained in the CBR

system. Appendix C contains a summary report from this system. Consistent with the second and fifth long-term goals, the Authority includes environmental benefits in the priority points for projects that benefit groundwater and surface water quality.

### Impaired Waters

The state maintains the Integrated Report that identifies those waters that are considered to be impaired for various reasons such as turbidity, biological integrity, or chlorophyll-a issues. The priority points system specifically awards points for projects that will directly address a stream impairment.

Over the past four cycles, the CWSRF program has funded fifteen projects totaling approximately \$38 million. Only projects that claimed and received impaired points on their CWSRF application are included in this figure. Most of the projects are collection system rehabilitation

and replacement projects; however two projects are wastewater treatment plant rehabilitation projects while another was a wastewater treatment plant rehabilitation and energy efficiency project that received funds from the GPR. Another project was a stormwater project receiving funds from the GPR. Last, two collection system expansion projects will benefit impaired waters.

Refer to Appendix C for more information about funding related to projects that may benefit impaired waters (i.e., may or may not have received priority points related to impairment).

### Implementation of Basinwide Plans

In addition to prioritizing projects that benefit impaired waters, the Division also more highly prioritizes projects that implement basinwide management plans. Basinwide management strategies may address existing water quality issues (whether a stream is deemed impaired or

not) or proactively address water quality trends that may lead to impairment. By prioritizing basinwide strategies, the CWSRF program directs funds first toward both improving existing water quality issues and preventing water quality impairment.



Over the past four cycles, approximately \$2.4 million has been awarded to five projects that directly address a recommendation or strategy in a basinwide man-

agement plan. Only projects receiving points in the priority points system were counted.

## Distribution of Funded Projects

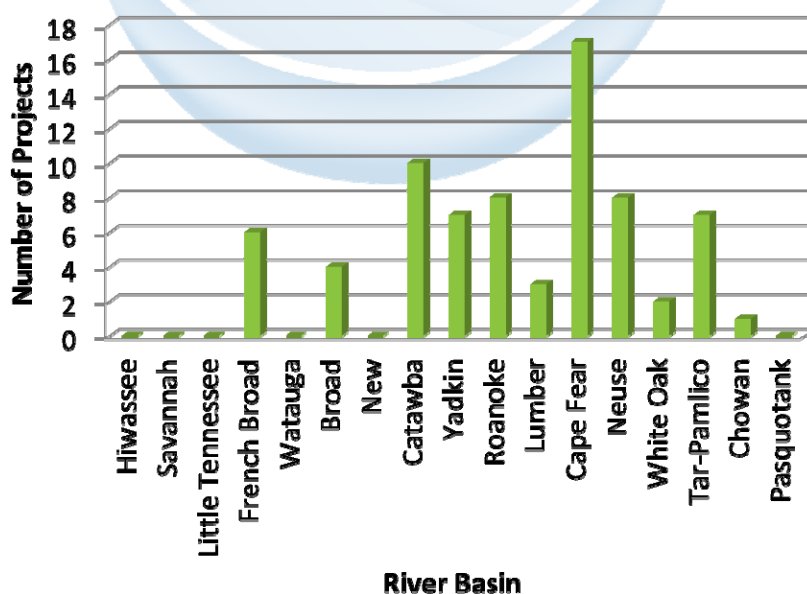
Figure 8 shows the number of projects awarded funding throughout the seventeen river basins in North Carolina.

The basins that did not have a project in any of the four cycles under consideration in this report were the Hiwassee, Savannah, Little Tennessee, Watauga, New, and Pasquotank. Compared to the other basins in North Carolina, these basins either have a very small land area or are sparsely populated, hence the increased likelihood that they would not have a CWSRF-funded project. The Cape Fear and Catawba Basins have received more

projects than the others, mainly due to the larger land area and higher populations in both.

In terms of funds received, the Yadkin Basin received the most funding, followed by the Neuse and Cape Fear Basins, at greater than \$60 million, approximately \$55 million, and approximately \$50 million, respectively. These basins are larger both in terms of geography and population and have more potential applicants for CWSRF funds (see Figure 9 on the next page).

Figure 8. Number of Funded Projects by River Basin



*In terms of environmental benefits, the CWSRF prioritization system places high priority on projects that directly benefit impaired waters or groundwater where violations have occurred, or implement a basinwide plan strategy or recommendation.*



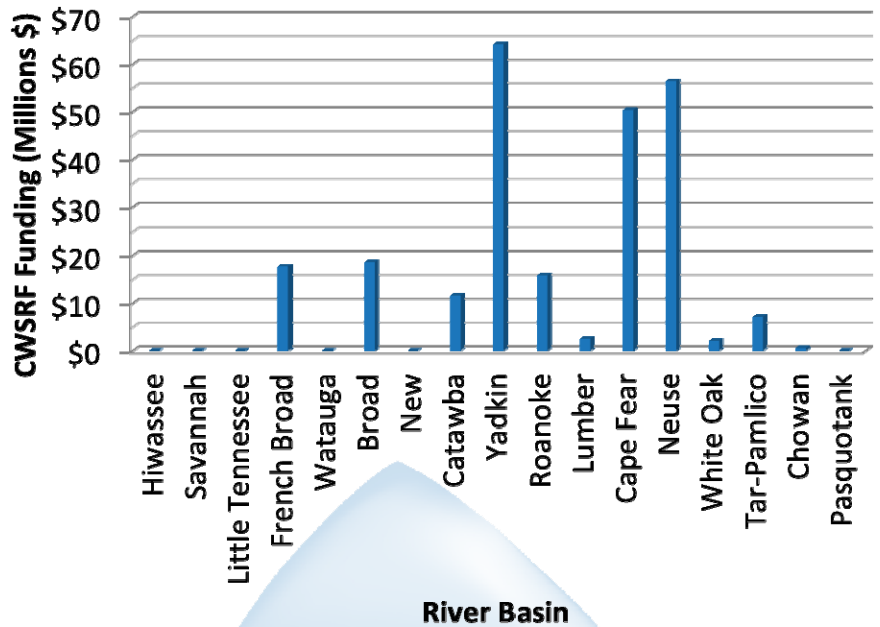


Figure 9. Distribution of Funds by River Basin

## Long-Term Financial Health of Program

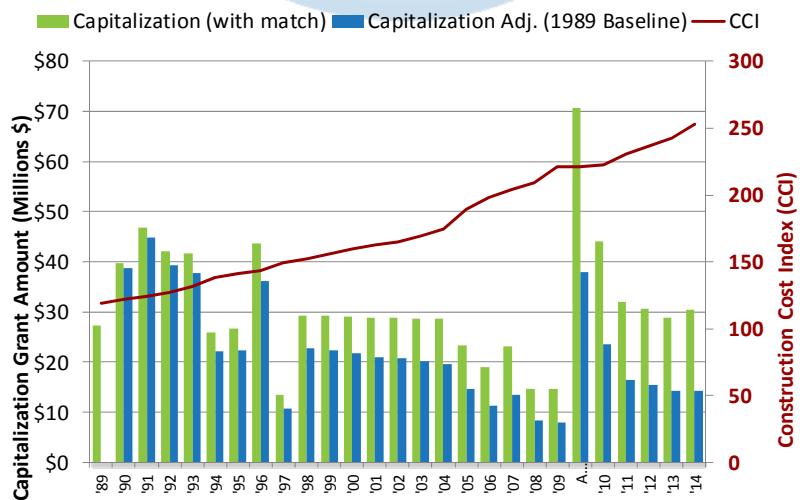
The CWSRF program begins with the capitalization grants. Figure 10 shows the grants received since the inception of the program and the required twenty-percent state match.

Capitalization grants, plus state match, minus the four percent

administrative allowance has provided \$816,504,864 since the inception of the program. Figure 10 also indicates the effect of inflation. While capitalization grants have increased over 2009 levels, the effectiveness of those dollars are about half those of the first capitalization in the early 1990's. Combined with the in-

*The demand for CWSRF funds to address wastewater infrastructure needs continues to outstrip the supply.*

Figure 10. Capitalization Grants (with Match) Including ARRA





creased awareness of clean water infrastructure needs, the CWSRF can only meet a small percentage of infrastructure funding needs of LGUs as a whole.

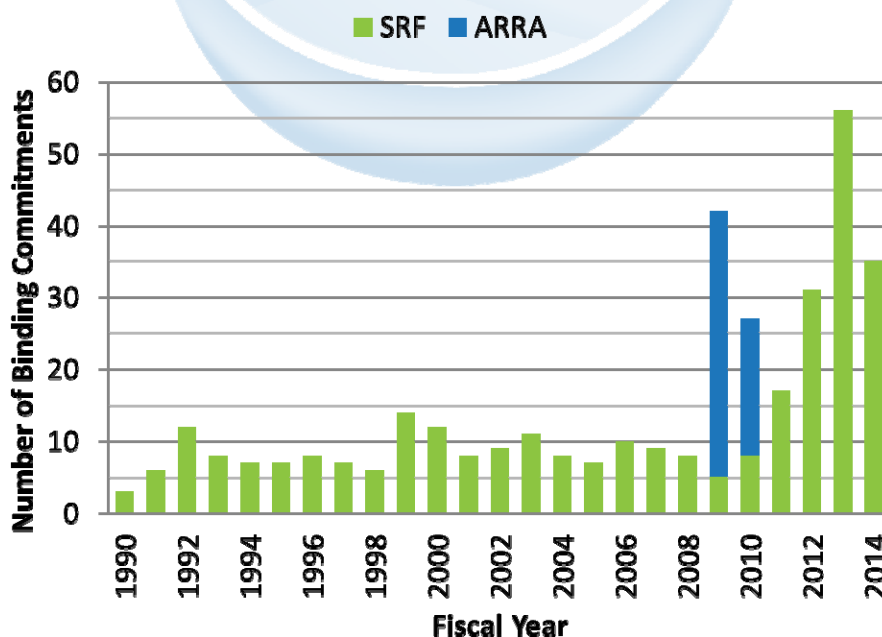
In addition to the four percent administrative allowance, the CWSRF charges a two percent closing fee on all loans to supplement this allowance for administering the program. This fee is not financed as part of a loan and is considered program income if the loan originates from a capitalization grant. Program income is limited to use within the CWSRF by the USEPA. Fees not considered program income (i.e., from loans originating from repayment funds) may be used for other water quality purposes in accordance with USEPA requirements. Currently, DWR uses a portion of these funds to support water quality positions within DWR that support the CWSRF program.

Monies being repaid into the fund from completed projects, coupled with continued capitalization of the program, have resulted in an increase of funds available for new projects. The targeted financial incentives and awareness efforts have resulted in a significant increase in projects receiving binding commitments. Figure 11 illustrates the increase in annual binding commitments. Also, in accordance with §603(b)(3), North Carolina continues to meet easily its binding commitment rate; see Appendix B for this information.

Figure 12 on the next page shows the cumulative value of loans, which has risen in the past ten years and with it—nearly parallel—the actual disbursements. As monies are disbursed, the amount due back into the program (accounts receivable) also increases. As such, even though the fund has been capitalized

*Since 2010, the number of binding commitments for CWSRF loans has increased, which has driven down the unliquidated obligations to close to zero dollars.*

Figure 11. Binding Commitments Per Year





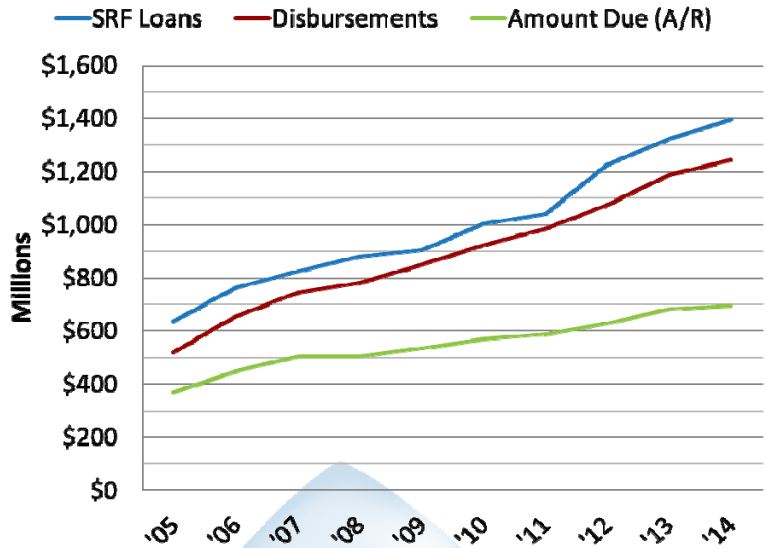


Figure 12. CWSRF Increase in Loans

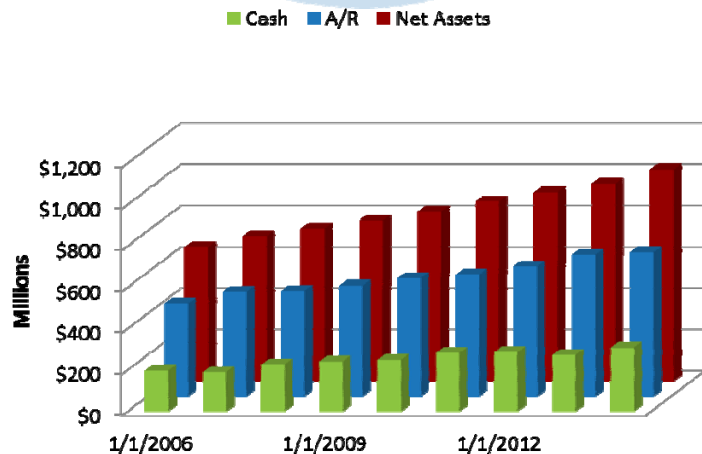
with over \$800 million as noted above, the revolving nature of the program has allowed the program to enter into almost \$1.7 billion in binding commitments at that same time. However, the American Recovery and Reinvestment Act of 2009 (ARRA) funds were provided at fifty percent principal forgiveness. Principal forgiveness will not revolve back into the funding program. Therefore, the accounts receivable line has not increased at the same rate.

Finally, Figure 13 on the follow-

ing page demonstrates how the combined capitalization and repayments on hand (cash), and accounts receivable, has increased the value of the program (net assets) in North Carolina to just over \$1 billion.

The NC CWSRF continues to greatly exceed the requirements of §602(b)(3) of the Clean Water Act to make binding commitments of 120 percent of each grant payment. Appendix B displays the three previous fiscal years. The most recent applicable cap grant payment has al-

Figure 13. Increase in Net Assets





ready exceeded the required binding commitments with a committed amount equal to 1,112 percent made in the same quarter as the grant payment.

As the health of the overall fund is maintained, North Carolina continues to disburse capitalization grant funds first, in accordance with §602(b)(5) and have matching fund available in ac-

cordance with §602(b)(2). The 25-month process is intended to meet the intent of §602(b)(4) and ensure that all CWSRF funds are expended in a timely manner. The projects found in Appendix E represent Federal Fiscal Year 2013 FFATA compliance.







## **Appendix A – Status of Recent Projects**





Status of Recent Projects

| Projects From Old System                | Cost          | Loan Type* | Project # | Engineering Report | Plans & Specs | Contracts     | Description  | County       | Priority Rating | Project Type                                    | Federal Needs Category |
|---|---------------|------------|-----------|--------------------|---------------|---------------|--|--------------|-----------------|---|------------------------|
| September 2012 Deadlines                | \$122,622,226 |            |           | 1/2/2013           | 6/3/2013      | 7/1/2014      |  |              |                 |   |                        |
| Eden, City of                           | \$2,718,636   | PF-0%      | 458-07    | 5/23/2013          |               |               | Matrimony Creek Outfall Rehabilitation                                 | Rockingham   |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Green Level, Town of                    | \$633,000     | PF-0%      | 917-01    | 4/10/2013          | 2/28/2014     | ATA 6/23/2014 | Basil Holt Pump Station Replacement                                    | Alamance     |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Green Level, Town of                    | \$282,500     | PF-0%      | 917-02    | 6/1/2013           | 2/28/2014     | ATA 6/10/14   | Otter Creek Pump Station Renovation/Rehabilitation                     | Alamance     |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Yadkin Valley Sewer Authority           | \$1,050,000   | PF-0%      | 541-04    | 4/4/2013           | 2/14/2014     | ATA 6/16/2014 | Sewer Collection System Rehabilitation Phase II                        | Surry        |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Lenoir, City of                         | \$578,500     | PF-0%      | 393-05    | 3/20/2013          | 2/19/2014     |               | Powell Road Greenway Sewer Replacement                                 | Catawba      |                 | Collection System Rehabilitation & Replacement  | III-B                  |
|   |               |            |           |                    |               |               |  |              |                 | WWTP Equipment Repair/Replacement,              |                        |
| Parkton, Town of                        | \$1,000,000   | PF-0%      | 777-02    | 5/20/2013          | 2/28/2014     |               | Wastewater Treatment Plant Improvements                                | Robeson      |                 | Collection System Rehabilitation & Replacement  | I                      |
| Clyde, Town of                          | \$310,100     | PF-0%      | 755-01    | 2/25/2013          | 2/24/2014     |               | Fire Station Branch Sewer Line Replacement                             | Haywood      |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Wallace, Town of                        | \$621,188     | PF-0%      | 445-06    | 5/31/2013          | 2/25/2014     |               | Lift Station Rehabilitation  | Duplin       |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Vanceboro, Town of                      | \$1,651,344   | PF-0%      | 450-03    | 3/7/2013           | 12/12/2013    | 6/16/2014     | Sanitary Sewer Rehabilitation 2012                                     | Craven       |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Clyde, Town of                          | \$226,500     | 0%         | 755-02    | 2/25/2013          | 9/16/2013     | 1/8/2014      | Hyder Mountain Pump Station  | Haywood      |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Lenoir, City of                         | \$4,170,000   | 0%         | 393-04    | 10/30/2012         | 2/21/2014     | ATA 6/19/14   | Gunpowder Creek WWTP Improvements                                      | Catawba      |                 | WWTP Equipment Repair & Replacement             | I                      |
| Halifax, County of                      | \$1,169,974   | 0%         | 629-02    | 5/1/2013           | 2/20/2014     | ATA 6/18/2014 | Sanitary Sewer Rehabilitation  | Halifax      |                 | Collection System Rehabilitation & Replacement  | III-A                  |
| Oxford, City of                         | \$1,397,427   | GPR        | 439-06    | 3/12/2013          |               |               | Coon Creek (Fishing Creek) Stormwater Improvement Project              | Granville    |                 | Stormwater BMP                                  | VI                     |
| Shelby, City of                         | \$10,000,000  | 0%         | 502-05    | 2/25/2013          | 2/27/2014     |               | First Broad Wastewater Treatment Plant Improvements                    | Cleveland    |                 | WWTP Equipment Repair & Replacement             | II                     |
| Orange Water & Sewer Authority          | \$6,560,000   | GPR        | 562-05    | 10/26/2012         | 12/10/2012    | 9/21/2012     | Aeration & Mixing Sys. Eff Imp.@ OWASA's Mason Farm WWTP               | Orange       |                 | Energy Efficiency                               | II                     |
| Public Works Commission of Fayetteville | \$2,460,662   |            | 434-13    | 4/1/2013           | 3/3/2014      | ATA 6/6/2014  | Sanitary Sewer Replacement on Person Street at the Lobster House       | Cumberland   |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Grover, Town of                         | \$1,936,000   |            | 505-01    | 5/31/2013          |               |               | Wastewater Project   | Cleveland    |                 | WWTP Expansion                                  | I                      |
| Onslow Water and Sewer Authority        | \$1,895,618   | 0%         | 569-03    | 5/20/2013          | 2/28/2014     |               | Summerhouse Water Reclamation Facility Rehabilitation                  | Onslow       |                 | WWTP Equipment Repair & Replacement             | X                      |
| Spring Hope, Town of                    | \$265,024     | 0%         | 415-04    | 5/7/2013           |               |               | Country Inn Lift Station Elimination Project                           | Nash         |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Oxford, City of                         | \$3,047,675   | 0%         | 439-07    | 4/4/2013           | 3/3/2014      |               | WWTP Equalization Basin Project  | Granville    |                 | WWTP Equipment Repair & Replacement             | II                     |
| Statesville, City of                    | \$4,800,000   | 0%         | 395-04    | 4/20/2013          |               |               | Fourth Creek WWTP Improvements   | Iredell      |                 | WWTP Equipment Repair & Replacement             | II                     |
| Drexel, Town of                         | \$471,086     |            | 677-01    | 4/12/2013          | 2/25/2014     | ATA 6/25/14   | Sewer Pump Station Replacement   | Catawba      |                 | Collection System Rehabilitation & Replacement  | III-B                  |
|   |               |            |           |                    |               |               |  |              |                 | Collection System Rehabilitation & Replacement/ |                        |
| Shelby, City of                         | \$3,332,000   |            | 502-06    | 3/12/2013          | 3/3/2014      |               | Outfall Improvements   | Cleveland    |                 | Collection System Expansion                     | III-B                  |
| New Hanover, County of                  | \$5,725,759   |            | 426-07    | 4/12/2013          |               |               | Heritage Park Area-Sewer Installation to Replace Failing Septic Tanks  | New Hanover  |                 | Collection System Expansion                     | IV-A                   |
| New Hanover, County of                  | \$9,380,783   |            | 426-08    | 4/1/2013           |               |               | Marquis Hills Area-Sewer Installation to Replace Failing Septic Tanks  | New Hanover  |                 | Collection System Expansion                     | IV-A                   |
| Raleigh, City of                        | \$27,638,450  |            | 419-18    | 2/5/2013           | 2/6/2013      | 10/15/2013    | Neuse River Wastewater Treatment Plant Expansion to 75 MGD Phase III   | Wake         |                 | WWTP Expansion                                  | II                     |
| Raleigh, City of                        | \$29,300,000  |            | 419-19    | 5/20/2013          |               |               | Crabtree Basin Wastewater System Conveyance Improvements Phase II      | Wake         |                 | Collection System Expansion                     | III-B                  |
| March 2013 Deadlines                    | \$90,732,168  |            |           | 7/1/2013           | 6/2/2014      | 1/2/2015      |  |              |                 |   |                        |
| Pine Knoll Shores, Town of              | \$419,000     | GPR        | 717-01    | 9/23/2013          | 2/6/2014      | 2/17/2014     | Pine Knoll Shores East End Drainage Project                            | Carteret     |                 | Stormwater BMP                                  | VI                     |
| Bessemer City, City of                  | \$1,565,000   | PF-0%      | 763-02    | 9/13/2013          |               |               | Sewer System Improvements  | Gaston       |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Aulander, Town of                       | \$557,816     | PF-0%      | 587-02    | 9/27/2013          |               |               | Wastewater Collection System Improvements                              | Bertie       |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Elizabethtown, Town of                  | \$795,640     | PF-0%      | 418-04    | 9/26/2013          |               |               | Downtown WWTP Collection System Rehab and Replacement                  | Bladen       |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Bay River Metropolitan Sewer District   | \$486,119     | PF-0%      | 683-03    | 9/4/2013           |               |               | Oriental Sewage Collection System Rehab                                | Pamlico      |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Robersonville, Town of                  | \$1,323,837   | PF-0%      | 758-03    | 4/4/2013           |               |               | Robersonville Lift Stations Improvements                               | Martin       |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Robersonville, Town of                  | \$3,323,210   | PF-0%      | 758-04    | 4/3/2013           | 8/28/2013     | ATA 7/7/14    | WWTP Rehabilitation  | Martin       |                 | WWTP Equipment Repair & Replacement             | I                      |
| Tarboro, City of                        | \$955,046     | PF-0%      | 581-03    | 9/23/2013          |               |               | Sewer System Rehabilitation  | Edgecombe    |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Roanoke Rapids Sanitary District        | \$3,535,000   | PF-0%      | 449-05    | 10/14/2013         |               |               | Sub Basin C & D Sewer Rehabilitation Project                           | Halifax      |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Roanoke Rapids Sanitary District        | \$1,371,500   | 0%         | 449-06    | 10/15/2013         |               |               | Outfall G Sewer Rehabilitation   | Halifax      |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Henderson, City of                      | \$1,800,000   |            | 410-08    | 9/16/2013          |               |               | Elmwood Cemetery Sewer Main Replacement                                | Vance        |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Lenoir, City of                         | \$1,275,000   | 0%         | 393-06    | 9/18/2013          |               |               | Meadowood Sewer Replacement  | Caldwell     |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Reidsville, City of                     | \$15,000,000  | 0%         | 384-05    | 9/20/2013          | 9/25/2013     | 12/2/2013     | WWTP Improvements  | Rockingham   |                 | WWTP Equipment Repair & Replacement             | II                     |
| Greenville Utilities                    | \$3,360,000   | 0%         | 487-09    | 8/15/2013          |               |               | WWTP Ultraviolet Disinfection Sys. Replacement/Upgrade for Energy Eff. | Pitt         |                 | Energy Efficiency                               | II                     |
| Brevard, City of                        | \$1,680,000   |            | 476-04    | 10/9/2013          |               |               | City Wide 6 Inch Gravity Sewer Upgrade                                 | Transylvania |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Hope Mills, Town of                     | \$1,075,000   | 0%         | 751-02    | 9/16/2013          | 4/28/2014     |               | Town Hall Drainage & BMP Retrofit Project                              | Cumberland   |                 | Stormwater BMP                                  | VI                     |
| Midland, Town of                        | \$2,210,000   |            | 928-02    | 10/9/2013          |               |               | Cabarrus Acres Phase 2 Sewer Project                                   | Cabarrus     |                 | Collection System Expansion                     | IV-A                   |
|   |               |            |           |                    |               |               |  |              |                 | WWTP Equipment Repair & Replacement/            |                        |
| Winston-Salem, City of                  | \$50,000,000  |            | 399-08    | 3/17/2014          |               |               | Muddy Creek Consolidated Pumping Sta.                                  | Forsyth      |                 | Collection System Expansion                     | IV-B                   |
| September 2013 Deadlines                | \$39,099,993  |            |           | 6/2/2014           | 5/1/2015      | 2/1/2016      |  |              |                 |   |                        |
| Fremont, Town of                        | \$1,023,378   | PF-0%      | 530-05    |                    |               |               | WW System Improvements/Lagoon  | Wayne        |                 | WWTP Equipment Repair & Replacement             | I                      |
| Fremont, Town of                        | \$415,200     | PF-0%      | 530-06    |                    |               |               | WW System Improvements/Sewer Rehab                                     | Wayne        |                 | Collection System Rehabilitation & Replacement  | III-A                  |
| Lake Waccamaw, Town of                  | \$1,037,350   |            | 833-02    |                    |               |               | Phase 5 Sewer Improvements   | Columbus     |                 | Collection System Rehabilitation & Replacement  | III-A                  |
| Spindale, Town of                       | \$5,000,000   | PF-0%      | 621-04    |                    |               |               | Spindale WWTP Rehabilitation   | Rutherford   |                 | WWTP Equipment Repair & Replacement             | II                     |
| Greenville, City of                     | \$7,307,000   | GPR        | 487-10    |                    |               |               | Town Creek Culvert & BMP Retrofit Project                              | Pitt         |                 | Stormwater BMP                                  | VI                     |
| Greenville Utilities Commission         | \$3,450,000   |            | 487-11    |                    |               |               | Southside Pumpstation Repair & Improvements                            | Pitt         |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Winston-Salem, City of                  | \$9,399,200   |            | 399-09    |                    |               |               | Ongoing SSES and Rehabilitation  | Forsyth      |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Onslow Water & Sewer Authority          | \$2,063,600   |            | 569-04    |                    |               |               | Wstrn Ons.Trunk Swr Ph 2-Elim Kenwood WWTP                             | Onslow       |                 | Collection System Expansion                     | IV-A                   |
| Anson County                            | \$4,928,344   |            | 422-06    |                    |               |               | Sludge Lagoon & Dam Repair Project                                     | Anson        |                 | WWTP Equipmenet Repair & Replacement            | I                      |
| Valdese, Town of                        | \$285,917     |            | 396-08    |                    |               |               | Town of Valdese I & I Improvements                                     | Burke        |                 | Collection System Rehabilitation & Replacement  | III-A                  |
| Brevard, City of                        | \$1,435,784   |            | 476-06    | 5/13/2014          |               |               | Kings Creek Phase II   | Transylvania |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Stanley, Town of                        | \$2,754,220   |            | 746-02    |                    |               |               | Stanley Sewer Interconnect, Phase II                                   | Gaston       |                 | Collection System Expansion                     | IV-B                   |
| April 2014 Deadlines                    | \$37,780,535  |            |           | 10/1/2014          | 9/1/2015      | 6/1/2016      |  |              |                 |   |                        |
| Haw River, Town of                      | \$277,950     | PF-0%      | 573-02    |                    |               |               | 2013 Sanitary Sewer Rehabilitation                                     | Alamance     |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Haw River, Town of                      | \$450,625     | PF-0%      | 573-03    |                    |               |               | 2013 Sanitary Sewer Rehabilitation Phase 2                             | Alamance     |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Haw River, Town of                      | \$276,640     | PF-0%      | 573-04    |                    |               |               | 2013 Sanitary Sewer Rehabilitation Phase 3                             | Alamance     |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Pender County                           | \$479,706     |            | 774-01    |                    |               |               | Solid Waste Transfer Station Modifications                             | Pender       |                 | WWTP Equipment Repair & Replacement             | I                      |
| Kinston, City of                        | \$3,310,000   | PF-0%      | 527-09    |                    |               |               | Queen Street Sewer Rehabilitation                                      | Lenoir       |                 | Collection System Rehabilitation & Replacement  | III-B                  |
| Yanceyville, Town of                    | \$1,250,000   | PF-0%      | 510-03    |                    |               |               | Wastewater Treatment Plant Improvements                                | Caswell      |                 | WWTP Equipment Repair & Replacement             | I                      |



Status of Recent Projects

| Projects From Old System | Cost         | Loan Type* | Project # | Engineering Report | Plans & Specs | Contracts | Description   | County       | Priority Rating Project Type                          | Federal Needs Category |
|--------------------------|--------------|------------|-----------|--------------------|---------------|-----------|---|--------------|---|------------------------|
| Winston-Salem, City of   | \$1,079,400  | GPR        | 399-10    |                    |               |           | South Fork Improvements Program -- Elledge WWTP Aeration System Upgrade | Forsyth      | Energy Efficiency                                     | II                     |
| Biscoe, Town of          | \$1,275,000  | 0%         | 739-01    |                    |               |           | Biscoe CWSRF 2014 WWTP Rehabilitation                                   | Montgomery   | WWTP Equipment Repair & Replacement                   | I                      |
| Brevard, City of         | \$1,484,150  | 0%         | 476-07    |                    |               |           | Kings Creek Phase III   | Transylvania | Collection System Rehabilitation & Replacement        | III-B                  |
| Brevard, City of         | \$12,597,900 |            | 476-08    |                    |               |           | Neely Road Pump Station & Force Main Rehabilitation                     | Transylvania | Collection System Expansion                           | IV-B                   |
| Pittsboro, Town of       | \$494,500    | 0%         | 413-05    |                    |               |           | Sanitary Sewer Infiltration and Inflow Improvements                     | Chatham      | Collection System Rehabilitation & Replacement        | III-A                  |
| Granite Falls, Town of   | \$610,000    |            | 372-01    |                    |               |           | Replacement of Laural Street/Central Avenue Wastewater Pump Station     | Catawba      | Collection System Rehabilitation & Replacement        | III-B                  |
| Goldsboro, City of       | \$3,521,438  |            | 482-06    |                    |               |           | Stoney Creek Sanitary Sewer Outfall Rehabilitation Project              | Wayne        | Collection System Rehabilitation & Replacement        | III-B                  |
| Belmont, City of         | \$2,206,490  |            | 702-06    |                    |               |           | Sanitary Sewer Rehabilitation Program                                   | Gaston       | Collection System Rehabilitation & Replacement        | III-B                  |
| Kinston, City of         | \$1,600,000  | 0%         | 527-10    |                    |               |           | KRWRF Biosolids Dryer Project   | Lenoir       | WWTP Equipment Repair & Replacement                   | I                      |
| Johnston County          | \$1,200,000  | 0%         | 560-13    |                    |               |           | 2014 Sewer Rehabilitation Project                                       | Johnston     | Collection System Rehabilitation & Repalcement        | III-B                  |
| Charlotte, City of       | \$3,266,736  | GPR        | 377-13    |                    |               |           | McAlpine Creek WWP Combined Heat and Power                              | Mecklenburg  | Energy Efficiency                                     | II                     |
| Granite Falls, Town of   | \$1,900,000  |            | 372-02    |                    |               |           | Wastewater Treatment Plant Improvements Phase I                         | Catawba      | WWTP Equipment Repair & Replacement                   | I                      |
| Hoffman, Town of         | \$500,000    | 0%         | 668-01    |                    |               |           | Wastewater Collection System Project Phase I                            | Richmond     | Collection System Expansion to Remove Failing Septics | IV-B                   |

\*Projects labled principal forgiveness (PF), receive 1/2 of their loan amount forgiven, not to exceed \$1,000per p[roject]. Green projects (GPR) receive a 0% interest loan. PF-0% indicates 0% loans in lieu of 0%.





## **Appendix B – Binding Commitments by Quarter**





In accordance with section 602(b)(3) of the Clean Water Act, States must have binding commitments of at least 120% of a capitalization grant payment within one year of receiving that grant payment.

| Calendar Period   | 2009 Cap Grant | 2010 Cap Grant | 2011 Cap Grant | 2012 Cap Grant | 2013 Cap Grant | Total Grant Payments | Total Commitments | Commitments minus Grant Payment | Available Bank = four most recent quarters from previous column | Available Bank/Total Grant Payments |
|-------------------|----------------|----------------|----------------|----------------|----------------|----------------------|-------------------|---------------------------------|---|-------------------------------------|
| 2009 : July-Sept  |                |                |                |                |                | \$0                  | \$8,327,176       | \$8,327,176                     | \$46,553,172  | *                                   |
| 2009 : Oct-Dec    |                |                |                |                |                | \$0                  | \$19,721,109      | \$19,721,109                    | \$51,225,996  | *                                   |
| 2010 : Jan-Mar    |                |                |                |                |                | \$0                  | \$1,734,287       | \$1,734,287                     | \$39,310,777  | *                                   |
| 2010 : April-June |                |                |                |                |                | \$0                  | \$16,770,600      | \$16,770,600                    | \$121,180,798   | *                                   |
| 2010 : July-Sept  | 5,000,000      |                |                |                |                | \$5,000,000          | \$18,000,000      | \$13,000,000                    | \$137,639,975   | 2752.80%                            |
| 2010 : Oct-Dec    | 5,000,000      | 6,000,000      |                |                |                | \$11,000,000         | \$18,805,890      | \$7,805,890                     | \$158,391,483   | 1439.92%                            |
| 2011 : Jan-Mar    | 2,000,000      | 6,000,000      |                |                |                | \$8,000,000          | \$91,604,308      | \$83,604,308                    | \$146,585,593   | 1832.32%                            |
| 2011 : April-June | 181,148        | 10,000,000     |                |                |                | \$10,181,148         | \$43,410,925      | \$33,229,777                    | \$75,667,766  | 743.21%                             |
| 2011 : July-Sept  | 100,000        | 10,000,000     |                |                |                | \$10,100,000         | \$43,851,508      | \$33,751,508                    | \$73,342,727  | 726.17%                             |
| 2011 : Oct-Dec    |                | 4,000,000      |                |                |                | \$4,000,000          | \$0               | -\$4,000,000                    | \$41,839,496  | 1045.99%                            |
| 2012 : Jan-Mar    |                | 773,000        |                |                |                | \$773,000            | \$13,459,481      | \$12,686,481                    | \$136,949,816   | 17716.66%                           |
| 2012 : April-June |                |                | 3,000,000      |                |                | \$3,000,000          | \$33,904,738      | \$30,904,738                    | \$175,009,834   | 5833.66%                            |
| 2012 : July-Sept  |                |                | 10,000,000     |                |                | \$10,000,000         | \$12,248,277      | \$2,248,277                     | \$166,506,286   | 1665.06%                            |
| 2012 : Oct-Dec    |                |                | 6,000,000      |                |                | \$6,000,000          | \$97,110,320      | \$91,110,320                    | \$172,768,429   | 2879.47%                            |
| 2013 : Jan-Mar    |                |                | 7,650,000      | 6,000,000      |                | \$13,650,000         | \$64,396,499      | \$50,746,499                    | \$153,572,433   | 1125.07%                            |
| 2013 : April-June |                |                |                | 6,000,000      |                | \$6,000,000          | \$28,401,190      | \$22,401,190                    | \$166,036,880   | 2767.28%                            |
| 2013 : July-Sept  |                |                |                | 4,000,000      |                | \$4,000,000          | \$12,510,420      | \$8,510,420                     | \$171,509,706   | 4287.74%                            |
| 2013 : Oct-Dec    |                |                |                | 4,000,000      | 24,096,000     | \$28,096,000         | \$100,010,324     | \$71,914,324                    | \$162,999,286   | 580.15%                             |
| 2014 : Jan-Mar    |                |                |                | 3,000,000      |                | \$3,000,000          | \$66,210,946      | \$63,210,946                    | \$91,084,962  | 3036.17%                            |
| 2014 : April-June |                |                |                | 2,507,000      |                | \$2,507,000          | \$30,381,016      | \$27,874,016                    | \$27,874,016  | 1111.85%                            |

\* These cells and possibly subsequent cells would be impacted by 2008 and earlier cap grants such that the percentages would increase. Also the last three %'s on the table will increase once more binding commitments are made

\$ 12,281,148   \$ 36,773,000   \$ 26,650,000   \$ 25,507,000   \$ 24,096,000

First, subtract the 100%, which is simply the commitments minus the grant payment(s) itself . The remainder from this step (available bank) for the most recent four quarters should be equal to at least 20% of the quarterly grant payment . The last column ensures this amount is at least 20% of the grant payment. The "100%" is subtracted off first to ensure it is not counted against multiple quarter's grant payments.





## **Appendix C – Clean Water Benefits Reporting (CBR) System Summary**



# North Carolina CW Benefits Summary Report for Projects with Water Uses Reported

## All Loans

|                                  | Loans                               |               | Projects                            |                                  |                  | Borrowers                            |                             |                   |
|----------------------------------|-------------------------------------|---------------|-------------------------------------|----------------------------------|------------------|--------------------------------------|-----------------------------|-------------------|
|                                  | Assistance<br>Dollars<br>(millions) | Loan<br>Count | Assistance<br>Dollars<br>(millions) | Subsidy<br>Dollars<br>(millions) | Project<br>Count | Facility<br>Population<br>(millions) | Facility<br>Flow<br>(MGD)   | Borrower<br>Count |
| Total Records                    | 146.0                               | 35            | 145.9                               |                                  | 35               | 0.0                                  | 85                          | 29                |
| Records with Benefits Data       | 70.3                                | 6             | 70.3                                | 27.5                             | 6                | 0.0                                  | 75                          | 6                 |
| Impacting Human Health           | 0.0                                 | 0             | 0.0                                 | 0.0                              | 0                | 0.0                                  | 0                           | 0                 |
|                                  | 0%                                  | 0%            | 0%                                  |                                  | 0%               | 0                                    | People Served per \$million | 0%                |
| With Impaired Waterbody          |                                     |               | 0.0                                 | 0.0                              | 0                | 0.0                                  | 0                           | 0                 |
|                                  |                                     |               | 0%                                  |                                  | 0%               | 0                                    | People Served per \$million | 0%                |
| With Waterbody Meeting Standards |                                     |               | 0.0                                 | 0.0                              | 0                |                                      |                             |                   |
| To Improve Water Quality         |                                     |               | 17.0                                | 6.5                              | 1                |                                      |                             |                   |
| To Maintain Water Quality        |                                     |               | 0.0                                 | 0.0                              | 0                |                                      |                             |                   |
| To Achieve Compliance            |                                     |               | 17.0                                | 6.5                              | 1                |                                      |                             |                   |
| To Maintain Compliance           |                                     |               | 0.0                                 | 0.0                              | 0                |                                      |                             |                   |





## **Appendix D – Financial Exhibits**



**STATE OF NORTH CAROLINA**  
**EPA Revolving Loan Fund**  
**Combining Statement of Net Assets**  
**June 30, 2014 and 2013**

**Exhibit 1**

|   | 2014             | 2013           |
|---|------------------|----------------|
| <b>ASSETS</b>                                   |                  |                |
| Current Assets:                                 |                  |                |
| Cash and Cash Equivalents                       | \$ 305,956,584   | \$ 271,494,097 |
| Investment-Bond Proceeds                        |                  |                |
| Receivables:                                    |                  |                |
| Loans (Due within one year)                     | 91,375,858       | 52,293,312     |
| Accrued Interest                                | 2,540,777        | 2,495,089      |
| Other   | 4,208            | 0              |
| State Treasurer's Securities Lending Collateral | 36,950,186       | 23,387,049     |
| Total Current Assets                            | 436,827,613      | 349,669,548    |
| Capital Assets, Depreciable                     |                  |                |
| Machinery and Equipment                         | 38,381           | 38,381         |
| Accumulated Depreciation                        | (36,581)         | (35,381)       |
| Total Capital Assets, Depreciable (net)         | 1,800            | 3,000          |
| Noncurrent Assets:                              |                  |                |
| Loans Receivable (Due after one year)           | 625,710,394      | 631,291,189    |
| Total Assets                                    | 1,062,539,807    | 980,963,737    |
| <b>LIABILITIES</b>                              |                  |                |
| Current Liabilities:                            |                  |                |
| Accounts Payable                                | 2,647            | 3,821          |
| Accrued Vacation Leave                          | 18,770           | 9,953          |
| Accrued Payroll                                 | 0                | 0              |
| Obligations Under State Treasurer's Securities  |                  |                |
| Lending Agreements                              | 37,828,577       | 24,561,569     |
| Other Accrued Liabilities                       | 3,043            | 5,139          |
| Total Current Liabilities                       | 37,853,037       | 24,580,482     |
| Noncurrent Liabilities:                         |                  |                |
| Accrued Vacation Leave                          | 248,222          | 245,021        |
| Total Liabilities                               | 38,101,259       | 24,825,503     |
| <b>NET ASSETS</b>                               |                  |                |
| Invested in Capital Assets, net of related debt | 1,800            | 3,000          |
| Restricted for:                                 |                  |                |
| Program Loans                                   | 1,024,436,748    | 956,135,234    |
| Total Net Assets                                | \$ 1,024,438,548 | 956,138,234    |



**STATE OF NORTH CAROLINA**  
**EPA Revolving Loan Fund**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Net Assets**  
**For the Fiscal Year Ended June 30, 2014 and 2013**

**Exhibit 2**

|   | 2014             | 2013           |
|---|------------------|----------------|
| <b>REVENUES</b>                               |                  |                |
| Operating Revenues:                           |                  |                |
| Interest Income on Loans                      | \$ 14,505,140    | 12,875,322     |
| Loan Closing Fees                             | 2,551,535        | 1,668,211      |
| Miscellaneous                                 |                  |                |
| Total Operating Revenues                      | 17,056,675       | 14,543,533     |
| <b>EXPENSES</b>                               |                  |                |
| Operating Expenses:                           |                  |                |
| Personal Services                             | 2,386,911        | 2,336,265      |
| Supplies and Material                         | 12,227           | 14,528         |
| Services                                      | 107,396          | 66,151         |
| Depreciation                                  | 1,200            | 5,210          |
| Insurance & Bonding                           | 1,141            | 840            |
| Other Fixed Charges                           | 29,205           | 33,243         |
| Capital Outlay                                | 11,421           | 34,025         |
| Other Expenses                                | 19,689           | 16,452         |
| Total Operating Expenses                      | 2,569,190        | 2,506,714      |
| Operating Income (Loss)                       | 14,487,485       | 12,036,819     |
| <b>NONOPERATING REVENUES (EXPENSES)</b>       |                  |                |
| Federal Grants                                | 56,736,658       | 38,844,097     |
| Interest Income                               | 260,599          | (39,055)       |
| Grants, Aid and Subsidies                     | (9,038,383)      | (8,413,523)    |
| Sale of Surplus Property                      |                  |                |
| Gain (loss) on Sale of Property & Equipment   |                  | (2,972)        |
| Miscellaneous                                 | (31,812)         | (47,357)       |
| Total Nonoperating Revenues                   | 47,927,062       | 30,341,189     |
| Income Before Transfers                       | 62,414,547       | 42,378,008     |
| Transfers In                                  | 4,925,000        |                |
| Transfers Out                                 | (213,752)        | (225,725)      |
| Increase in Net Assets                        | 67,125,795       | 42,152,283     |
| Net Assets July 1 (restated in 2013 for 2010) | 957,312,753      | 913,985,951    |
| Net Assets June 30                            | \$ 1,024,438,548 | \$ 956,138,234 |

**STATE OF NORTH CAROLINA**  
**EPA Revolving Loan Fund**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2014 and 2013**

**Exhibit 3**

|   | 2014           | 2013           |
|---|----------------|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                |                |
| Receipts from customers   | \$ 2,551,535   | \$ 1,668,211   |
| Payments to employees and fringe benefits   | (2,374,893)    | (2,324,690)    |
| Payments to vendors and suppliers   | (164,661)      | (150,243)      |
| Other Receipts/Payments   | (19,689)       | (16,452)       |
| Net Cash Used by Operating Activities   | (7,708)        | (823,175)      |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |                |                |
| Grants  | 56,732,450     | 29,800,298     |
| Federal Recovery Funds (ARRA)   |                | 9,052,073      |
| Transfers in  | 4,925,000      |                |
| Transfers out   | (213,752)      | (225,725)      |
| Grants, Aid and Subsidies   | (9,038,383)    | (8,413,523)    |
| Net Cash Provided from Noncapital Financing Activities  | 52,405,315     | 30,213,124     |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                 |                |                |
| Acquisition and construction of capital assets  |                |                |
| Sale of Surplus and Adjustment  |                |                |
| Net Cash Used in Capital Financing Activities   |                |                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                |                |
| Redemptions from the State Treasurer L/T investment pool  |                |                |
| Purchase into State Treasurer L/T investment pool   |                |                |
| Repayment on loans  | 55,084,237     | 57,103,194     |
| New loans issued  | (88,585,987)   | (113,508,787)  |
| Interest on loans   | 14,476,032     | 12,641,174     |
| Other   | 1,090,597      | 1,131,132      |
| Net Cash Provided by Investing Activities   | (17,935,121)   | (42,633,287)   |
| Net Increase (decrease) in total Cash and Cash Equivalents                                      | 34,462,486     | (13,243,338)   |
| Cash and Cash Equivalents, Beginning of Year  | 271,494,097    | 284,737,436    |
| Cash and Cash Equivalents, End of Year  | \$ 305,956,583 | \$ 271,494,097 |
| <b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> |                |                |
| Operating Income (Loss)   | \$ 14,487,485  | 12,036,818     |
| Adjustments to Reconcile Operating Income to Net  |                |                |
| Depreciation/Amortization Expense   | 1,200          | 5,210          |
| Cash Flow provided by Operating Activities:   |                |                |
| Nonoperating loan interest income   | (14,505,140)   | (12,875,322)   |
| Loan Repayment  |                |                |
| (Increase) Decrease in Current Assets   |                |                |
| Increase (Decrease) in Liabilities  | 8,747          | 10,118         |
| Net Cash Used by Operating Activities   | \$ (7,708)     | (823,175)      |
| <b>NONCASH INVESTING ACTIVITIES</b>   |                |                |
| Assets Acquired Through the Assumption of a Liability   | 23,683,178     | 23,387,049     |
| Change in fair value of investments   | (878,391)      | (1,174,520)    |





## **Appendix E – FFATA Capitalization Grant 2013 Projects**



FFATA List of Projects in FY2013 Capitalization Grant

| Owner Name  | Project Number |
|---|----------------|
| Town of Spring Lake                                 | 750-03         |
| Cape Fear Public Utility                            | 923-01         |
| Cape Fear Public Utility                            | 923-06         |
| City of Eden  | 458-05         |
| City of Locust                                      | 828-02         |
| City of Albemarle                                   | 522-04         |
| City of Henderson                                   | 444-06         |
| Town of Hillsborough                                | 601-01         |
| City of Monroe                                      | 564-06         |
| City of Newton                                      | 685-02         |
| City of Raleigh                                     | 419-17         |
| City of Raleigh                                     | 416-16         |
| City of Raleigh                                     | 419-18         |
| City of Reidsville                                  | 384-05         |
| City of Statesville                                 | 395-03         |
| City of Thomasville                                 | 619-05         |
| City of Thomasville                                 | 619-04         |
| City of Thomasville                                 | 619-05         |
| City of Thomasville                                 | 619-04         |
| Durham County                                       | 575-02         |
| Greenville Utilities Commission                     | 487-07         |
| Public Works Commission of the City of Fayetteville | 434-12         |
| Town of Bunn  | 531-05         |
| Town of Williamston                                 | 435-05         |
| City of Lumberton                                   | 455-02         |
| Town of Newport                                     | 691-02         |
|   |                |



# **Drinking Water State Revolving Fund Annual Report**

**State of North Carolina**

**Fiscal Year 2013-2014**

**September 30, 2014**



*Financing Community Water Needs*

# Table of Contents

|  |    |
|--|----|
| Introduction.....  | 3  |
| Overview of Program History.....                             | 3  |
| Program History.....   | 3  |
| Financial History.....                                       | 4  |
| Drinking Water State Revolving Fund Programmatic Goals ..... | 5  |
| Short-Term Goals.....  | 5  |
| Long-Term Goals.....   | 6  |
| MBE/WBE Goals.....   | 7  |
| Project Funding.....   | 8  |
| Prioritization .....   | 9  |
| Funding Schedule.....  | 10 |
| DWSRF Base Program .....                                     | 10 |
| Principal Forgiveness.....                                   | 10 |
| Zero Percent Interest .....                                  | 12 |
| Green Project Reserve.....                                   | 12 |
| Set-Aside Activities .....                                   | 13 |
| Technical Assistance for Small Systems .....                 | 13 |
| Drinking Water State Program Management Functions.....       | 13 |
| Local Assistance and Other State Programs .....              | 14 |
| Long-Term Financial Health of Program .....                  | 14 |
|  |    |
| Appendix A — Status of Recent Projects                       |    |
| Appendix B — Project Detail                                  |    |
| Appendix C — Report on Set-Aside Activities                  |    |
| Appendix D — Binding Commitments by Quarter                  |    |
| Appendix E — Financial Exhibits                              |    |





## Introduction

The Division of Water Infrastructure (the Division) was created within the North Carolina Department of Environment and Natural Resources (NCDENR). The Division administers financial assistance programs to assist applicants in constructing projects that both benefit public health and improve the human environment.

Specifically, the Division administers the Drinking Water State Revolving Fund (DWSRF) program as established by the Amendments to the Safe Drinking Water Act of 1996 (SDWA). The DWSRF offers low-interest loans to public water systems at for drinking water infrastructure. As an applicant repays the loan, the

monies are again loaned out, hence the revolving nature of the program. All loan repayments go back into the DWSRF.

Additionally, the DWSRF provides set-aside funds to enable the Division of Water Resources Public Water Supply Section (DWR) to administer the requirements of the Safe Drinking Water Act.

The following sections discuss (1) the overview of the program, (2) the DWSRF goals, (3) project funding, (4) set-aside actions, (5) public health benefits, and (6) long-term financial health.

## Overview of Program History

To understand why the program functions as it currently does, it is important to gain an understanding of its past history. This section discusses the historic

process as well as the financial history associated with the program.

### Program History

The SDWA created the Drinking Water State Revolving Fund (DWSRF) program. The SDWA gave the Environmental Protection Agency authority to award capitalization grants to the states. This in turn authorized states to provide low-interest loans to assist public water systems by funding infrastructure projects. Additionally, the DWSRF set-aside funds have enabled the DWR to administer the require-

ments of the SDWA. Recently, the DWSRF program has shifted from a ready-to-proceed model to a competitive model, which will be reflected in future editions of this report.

The 2013 legislation that created the Division also created the State Water Infrastructure Authority (the Authority). The Authority consists of nine members, three *ex officio* members, two members appointed by the North Carolina



*According to the U.S. EPA Drinking Water Needs Survey (2011), the total DWSRF-eligible needs for North Carolina are approximately \$10 billion. Because growth projects are ineligible, the drinking water needs are much higher.*

House of Representatives, two members appointed by the North Carolina Senate, and two members appointed by the Governor. The legislation includes twelve tasks for Authority members.

Among those tasks, the Authority must (1) establish priorities for making loans and grants that are consistent with Federal law; (2) review the criteria for making loans and grants, which includes any recommendations for additional criteria; (3) develop guidelines for making loans and grants; and (4) review recommendations for grants and loans as submitted by Division staff to determine the rank of applications and to select the applications that are eligible to receive grants and loans. Since

the DWSRF program falls under the purview of the Division, all priorities must be approved by the Authority, and all funding applications must be approved by the Authority.

Throughout the programmatic changes, the DWSRF program has provided financing for drinking water infrastructure for over 15 years, saving public water systems in North Carolina millions of dollars in interest costs. The savings make drinking water infrastructure more affordable for citizens of the state.

## Financial History

Congress appropriates an overall DWSRF funding level that is allocated to states based on the results of the most recent drinking water needs survey. Currently, the North Carolina allocation for FY 2013 is \$22,084,000 (2.34 percent) of the national appropriation. Capitalization grants, including the required state match, have provided \$490,513,499 for drinking water projects and administration of the SDWA by the Division since the inception of the program in 1996. However, since the DWSRF is a revolving program, these government funds have enabled \$523,666,381 in loan commitments over this same

time period. This is due to loan repayments being loaned again, thereby providing public benefits repeatedly through time (i.e., the revolving nature of the program). If capitalization grants are increased, the program will better be able to meet infrastructure financing needs for public water systems. The section on the long-term financial health of the program contains more information about the financial aspects of the program.

*In future rounds, all drinking water projects will be placed on a set schedule that begins with the Letter of Intent to Fund.*



## Drinking Water State Revolving Fund Program Goals

As part of the Intended Use Plan (IUP) for the DWSRF program, 40 CFR 35.3570 requires that the state identify the goals and objectives of the DWSRF program.

The overall goal of the DWSRF program is to provide funding for drinking water infrastructure and

to provide the funds to administer the Safe Drinking Water Act. This over-arching goal is supported by several short- and long-term goals that are discussed below.

### Short-Term Goals

For Fiscal Year 2013-2014 IUP, the Division developed six short-term goals.

**Goal #1: To provide loans to eligible public water systems to address acute health risks as a priority.** The priority system used to rank eligible projects gives more weight to projects that address contaminated or failing public water supplies.

**Goal #2: To provide loans to eligible public water systems to allow consolidation of non-viable water systems with systems having adequate capacity.** The priority system continues to weigh heavily in favor of projects that consolidate failing public water systems with viable water systems.

**Goal #3: To provide funding for preventive and efficiency measures, such as the replacement of aging infrastructure.** The priority system prioritizes replacements and rehabilitation over

new facilities.

**Goal #4: To improve public water systems' compliance.** The Division continues to provide the DWR Public Water Supply Section with set-aside funds, which allows Public Water Supply Section field staff to monitor public water systems and provide enforcement when necessary.

**Goal #5: To Assist EPA in meeting regional program objectives by conducting State Supervision activities and meeting work plan objectives and measures.** The DWR met the work plan objectives and measures for State Supervision activities during the past year.

**Goal #6: To provide the required State match within the required time frame.** The North Carolina General Assembly voted to supply the Division with the appropriate match.



*Two completed DWSRF principal forgiveness loans for \$2,486,523 consolidated three failing systems serving 218 connections (about 500 people) into the Tuckasegee Water and Sewer Authority.*

## Long-Term Goals

In addition to short-term goals, the Division developed long-term goals that will be implemented over the course of several years. The following discusses each of the long-term goals and how the Division has either begun or will implement these long-term goals.

**Goal #1: To support the North Carolina goal of assuring safe and healthy drinking water for state residents and visitors served by public water supplies.**

The Division continues to offer low-interest loans to eligible applicants and also to administer the provisions of the SDWA.

**Goal #2: To increase the percent of the population served by safe water systems.** The Division will encourage the Authority to continue to prioritize projects that will consolidate failing public water systems and those that will remove contaminated or failing systems from service. Additionally, the DWR monitors analytical results for regulated and some unregulated contaminants to ensure that the highest percent of the state's population are receiving drinking water from safe public water systems.

**Goal #3: To increase safety of public water systems.** The Division will continue to encourage the Authority to prioritize projects that will remove failing public water systems from service. Additionally, it will provide set-aside funds to the DWR for the purposes of administering the provisions in the SDWA by providing tech-

nical assistance and inspections of public water systems.

**Goal #4: To promote safe and affordable drinking water.** The Division will continue to offer low-interest loans to applicants with interest rates that will increase the affordability of DWSRF loans. Also, DWR has begun placing emphasis on prevention of entry of threatening contaminants through the implementation of a source water assessment program.

**Goal #5: To provide technical and financial assistance to public water systems in adapting to changing drinking water quality standards and maintaining the health objectives of the SDWA.** The Division will continue to offer set-aside funds via DWR to provide technical assistance to water system representatives.

**Goal #6: To maintain fiscal integrity of the DWSRF to assure continuance of loan funds for future generations.** In the past few years, the Division has focused on both increasing the number of binding commitments and lowering the amount of unliquidated obligations. Figure 9 in the section on long-term financial health shows how the number of binding commitments has increased rapidly since 2011. Additionally, the Division has begun managing grants on a first-in, first-out basis, meaning that the older grants will be disbursed before newer grants. Combined with the newly developed cash-flow model that is similar to that used in the





Clean Water State Revolving Fund program as well as a schedule from funding to construction, the Division will continue to reduce unliquidated obligations.

**Goal #7: To assist water systems in complying with new Safe Drinking Water Act rules as they are implemented.** The Division will continue implementing this goal by providing set-aside funding to DWR. This enables staff to provide technical assistance to regulated water supplies via a variety of methods, including mailings and participation in workshops.

**Goal #8: To implement a capacity development strategy that may use innovative strategies and solutions to help water systems improve compliance.** The Division will continue to supply set-aside funds to DWR to prepare a Capacity Development Program report that will be submitted

to the governor in 2014.

**Goal #9: To ensure technical integrity of the proposed water system improvements, advocate self-sufficiency, protect water resources from new pollution sources, and promote sustainability.** The Division will continue to support this goal through the funding process (e.g., engineering report review, plans and bid documentation review, contract review, and construction inspection). Through this process, Division staff ensures the drinking water infrastructure projects that are being funded through DWSRF are technically sound facilities that will be in compliance with Federal and State regulations. Additionally, the DWR accomplishes this goal by a separate Plan Review and Approval process which includes Capacity Development requirements.

## MBE/WBE Goals

In the DWSRF grant agreement, the Division negotiated the following objective and goals related to small, minority, and women's business enterprises (MBE/WBE): a fair share objective of \$250,000 split as follows: (1) 10.9 percent to go to MBEs and split across construction, supplies, services, and equipment and (2) 10.4 percent to go to

WBEs and split across construction, supplies, services, and equipment. The total amount of MBE procurement during FY 2013-2014 was \$784,114 (1.7 percent of total procurement of \$46,711,643). The total amount of WBE procurement during the same time was \$3,452,237 (7.4 percent of total procurement).



*Loan terms for all DWSRF loans are twenty years.*

## Project Funding

Historically, there has been one funding round each year with an application deadline of September 30<sup>th</sup>. This past year, applications were reviewed by Division staff with some loan offers made before September 30, 2013. For applications accepted on September 30, 2013, Divisions staff reviewed and prioritized to make recommendations to the Authority upon completion of application review. Due to delays related to the formation of the Authority, prioritized applications were not approved by the Authority until January 2014 with a minor revision in February 2014.

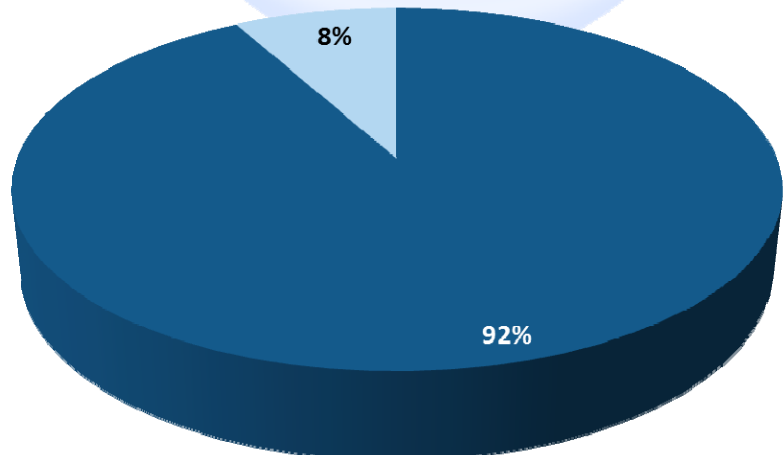
Successful projects may be funded under the base DWSRF loan program or under one of the special programs provided. Currently, principal forgiveness is allowed under capitalization grants as provided by specific Congress-

sional Authority. There are two special interest rate programs: zero percent interest funds and a green project reserve. Figure 1 shows the breakdown of total funding across the different funding programs. Note that for the time period (two years) encompassed by this report, no projects were funded either in the DWSRF base program or in the DWSRF Green Project Reserve (DWSRF-GPR) program.

The following sections discuss the overall schedule and each of the four funding types. Since a full cycle is two years, projects with binding commitments between July 1, 2013 and September 30, 2013 (a.k.a. grandfathered projects), and projects in the September 2013 funding round that were approved by the Authority are examined in this report.

Figure 1. Funding by Funding Source

■ 0% Funding    ■ Principal Forgiveness





## Prioritization

For the projects under consideration in this round, the Division utilized the developed and grandfathered prioritization system, as the prioritization system predates the formation of the Authority.

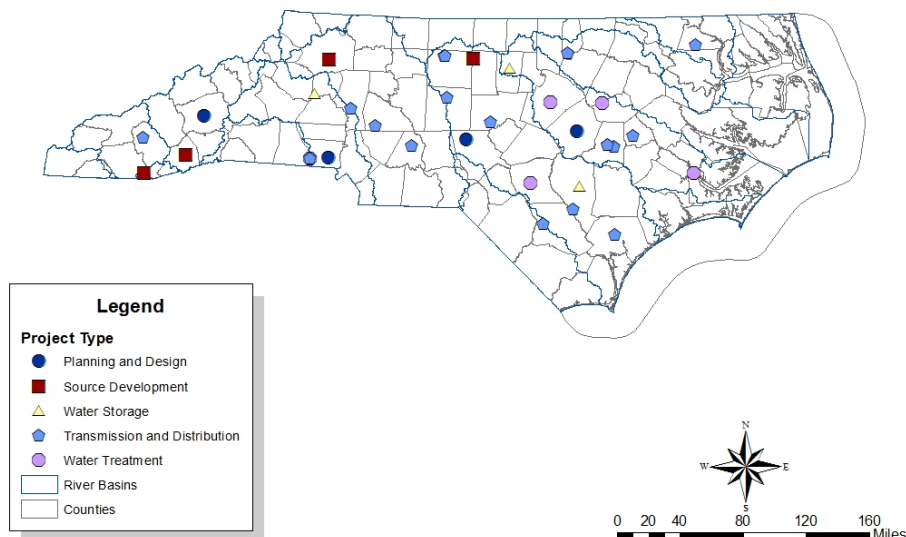
The system contains three categories. The first category consist of ready-to-proceed (RTP) projects that would consolidate a failing system with a viable system, a move initiated by DWR personnel and therefore considered outside a funding round. Any project that fulfills this consolidation requirement falls under this category.

The second category consists of projects that Division staff deem RTP, meaning they have completed the following: their environmental review, preliminary engineering report, and plans and

specifications have been approved before applying for a DWSRF loan. Division staff use a prioritization system to prioritize the projects until the DWSRF funds run out. The priority system weigh projects that provide source protection and management more heavily than projects related to project planning.

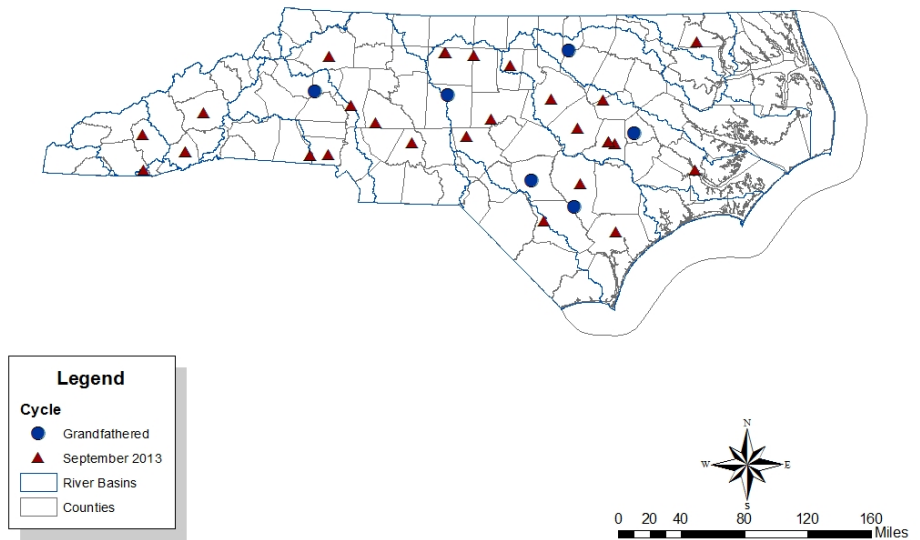
The third category consists of projects that are not RTP that are prioritized in the same manner as the projects in the second category. Once projects in this category become RTP, they are moved into the second category. Otherwise, these projects receive DWSRF funds only if the monies are available. Figure 2 shows the distribution of projects across the state by project type.

**Figure 2. Funded Projects by Project Type**



*Fourteen applicants have utilized the DWSRF program at least three times.*





**Figure 3. Funded Projects by Project Cycle**

## Funding Schedule

The applicants in the September 2013 round follow a set schedule that will bring the project to the construction phase in a timely manner. Figure 3 shows the projects that were funded via

the cycle pre-dating the formation of the Authority (e.g. grandfathered) and the September 2013 cycle approved by the Authority. Appendix A list these projects.

## DWSRF Base Program

For the projects in the two years encompassed by this report, no projects received funding at the DWSRF base rate of 2.21 percent. However, the Divi-

sion plans to consider offering the base rate in future rounds of funding as a way to establish the long-term viability of the program.

## Principal Forgiveness

Principal forgiveness is one of the special funding methods offered by the DWSRF program and is allowed by the SDWA. In the 2013 IUP, the Division targeted the required 20 percent of principal forgiveness toward dis-

advantage communities and toward systems with high rates relative to median household income. Over the past two years, five loans have included almost \$10 million in principal forgiveness. The demand for principal for-



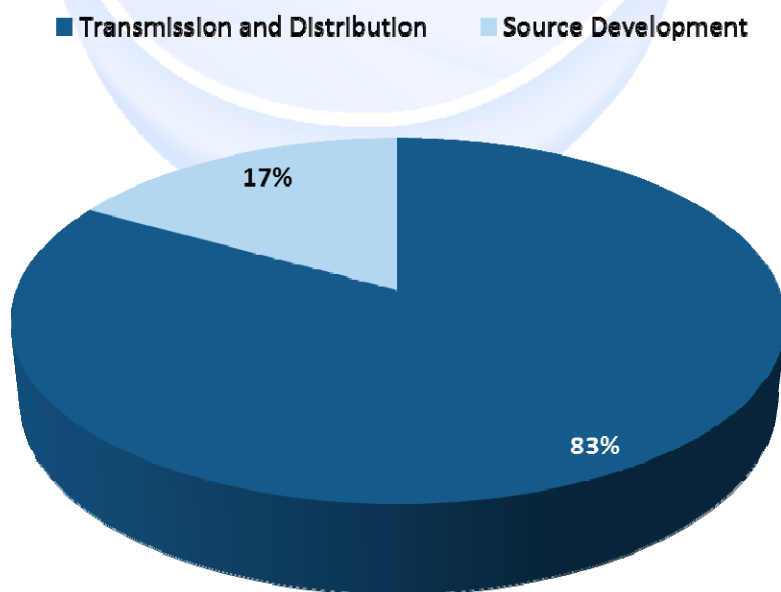
givenness has always exceeded availability.

Additionally, principal forgiveness is restricted to Category 1 projects that are determined to be disadvantaged communities that lack capacity as defined in the Safe Drinking Water Act, §§1420 and 1452(a)(3) or eighty percent of the cost of other category projects receiving funding. For projects in the second category of funding (RTP, prioritized projects), systems that demonstrate a rate to MHI ratio greater than or equal to 0.85 percent are eligible to receive principal forgiveness. The rate to MHI ratio is calculated as the ratio of the average water bill for 4,500 gallons to median household income. If principal forgiveness funds remain after considering the RTP first- and second-category projects that meet the criteria above, then these funds will be used for

the remaining first and second component projects regardless of their status as a disadvantaged community or rate to MHI ratio.

Figure 4 shows the project types that received principal forgiveness. Note that the vast majority of principal forgiveness funds are for transmission and distribution projects with less than 20 percent for source development projects. Additionally, the Division did not provide principal forgiveness funds for water treatment, planning and design only, or water storage. See Appendix B for more details related to meeting the requirements of this program.

**Figure 4. Percentage of Principal Forgiveness Funds Spent by Project Type**



## Zero-Percent Interest

The state has offered zero-percent loans for the remaining projects funded under the DWSRF program that are covered in the two-year period for this report. This special loan program recognizes the continuing need for affordable drinking water infrastructure for all public water systems within the state. Under the DWSRF zero-percent program, the Division has made loans to 32 projects for a total of approximately \$112 million. Figure 5 shows the funds from the zero-percent interest loan pro-

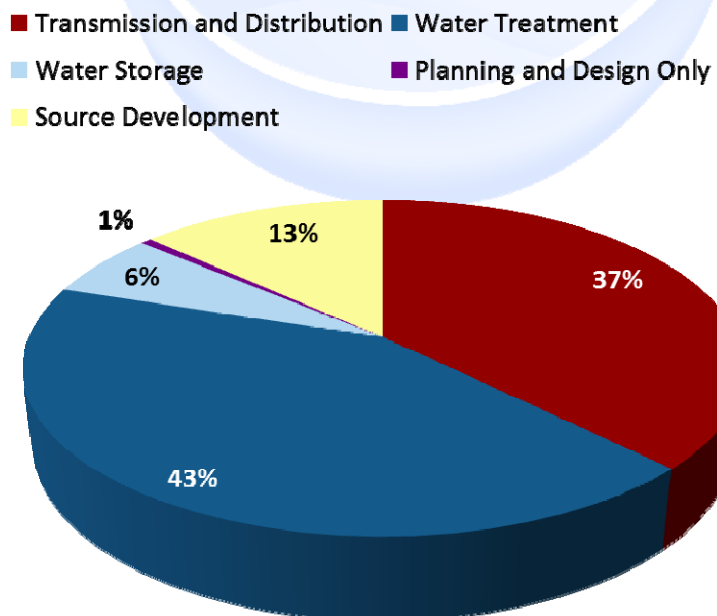
gram spent by project type for the two years under consideration in this report. As shown in the figure, eighty percent of the DWSRF funds offered at zero percent have gone to either water treatment or transmission and distribution (forty-three percent and thirty-seven percent, respectively). The remainder of funds has been split between source development and storage with only one percent devoted to planning and design only (see Appendix B).

## Green Project Reserve

Since FY 2012, capitalization grants have not required a Green Project Reserve (GPR). All grants prior to FY 2012 met

the GPR requirements as previously reported.

Figure 5. Percentage of Project Types Funded by Zero-Percent Funding





## Set-Aside Activities

As part of the DWSRF program, the SDWA requires that a certain amount of the cap grant funding be reserved for activities that support the implementation of the requirements of the SDWA. The DWR Public Water Supply Section is responsi-

ble for implementation. The paragraphs below summarize the set-aside activities completed this past year. Appendix C contains details related to the goals and accomplishments of the DWR Public Water Supply Section.

### Technical Assistance for Small Systems

This part of the set-aside program amounts to up to two percent of the capitalization grant. This past year, both the DWR and the North Carolina Rural Water Association (NCRWA) continued to provide technical assistance to water systems serving a population of less than 10,000 consum-

ers. A portion of this set-aside provides continued funding for a circuit rider position with NCRWA. Over this past year, this position provided technical assistance to 871 contacts.

### Drinking Water State Program Management Functions

This portion of the set-aside program amounts up to ten percent of the capitalization grant. The funds go to fund the DWR and the activities located therein. The DWR has continued to fund a full-time Source Water Protection Engineer position. As a result, the DWR continued to improve its GIS mapping application as well as promote the development of local source water protection plans. To date, eight public water providers using surface sources have completed comprehensive source water protection plans. These providers serve a combined

population of approximately 227,000 customers.

Additionally, the funds provide a position for a Capacity Development Team Leader to lead the development of the Engineering Planning and Development Guidance Document, which presents preferred design criteria for water systems in North Carolina. These funds also enabled training to occur at the North Carolina Waterworks Operators School and Public Water Supply Section regional offices.



## Local Assistance and Other State Programs

This portion of the set-aside program amounts to up to 15 percent of the capitalization grant and funds a Wellhead Protection Geologist, who coordinates the development, implementation, and management of a wellhead protection program in within DWR. The Wellhead Protection Program (WHPP) continued to provide information and technical assistance as requested to support wellhead protection activities. Over the past year, the WHPP received 11 wellhead protection plans, four first-time submittals, five updates/renewals of previously approved plans, and two complete revisions of formally submitted plans that had failed to receive approval. The submitted plans bring the total number of unique wellhead protection plans submitted to date to 176. Additionally, seven wellhead protection plans covering 19 public water supply systems received approval. These recently approved

plans represent both first-time submittals as well as renewals of previously approved plans and brings the total number of approved wellhead protection plans to 136. These approved plans cover 148 public water supply systems consisting of 875 wells that serve a population of almost 920,000 people. The WHPP also maintained the appropriate geographic information system layers and worked with the NCRWA to provide technical assistance to small systems.

Last, this portion of the set-aside program continued to support nine positions in NCDENR regional offices. Overall, PWWS staff conducted a total of 7,731 site visits, including 2,828 sanitary surveys for all systems (including small systems) during calendar year 2013. Please note that data entry for calendar year 2014 is not complete at the time this information was compiled.

## Long-Term Financial Health of the Program

The DWSRF program began with the capitalization grants. Figure 6 shows the grants received since the inception of the program and the required twenty-percent state match.

Capitalization grants (including the American Recovery and Reinvestment Act of 2009 [ARRA] grant), plus the state match, minus the four percent administrative allowance has provided \$490,513,499 since the inception

of the program. Figure 6 on the next page also shows the effect of inflation. While capitalization grants and associated state matches have remained generally steady at approximately \$30 million a year, the effectiveness of those dollars are slightly over half those of the first capitalization grants in the late 1990's.





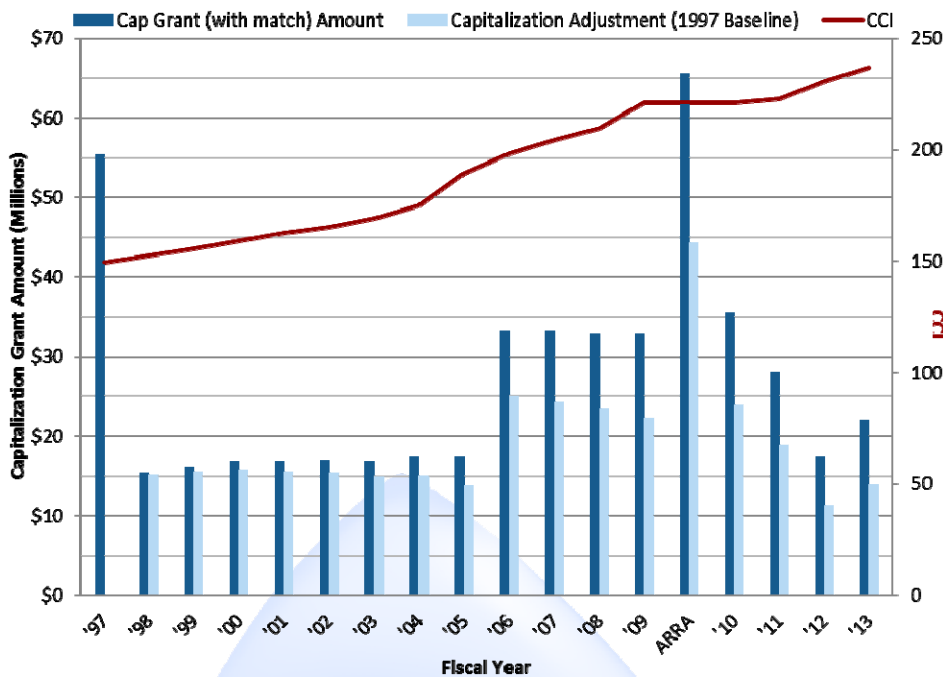


Figure 6. Capitalization Grants (with Match) Including ARRA

In addition to the four-percent administrative allowance, the DWSRF charges a two-percent closing fee on all loans to supplement this allowance for administering the program. This fee can be financed as part of a loan.

Also, each DWSRF capitalization grant requires set-aside monies be supplied for administration of the SDWA. The Division has allotted \$6,846,040 (approximately 31 percent) of the FY 2013-2014 capitalization grant to the DWR for use. See the section on set-asides for a description of the way the DWR Public Water Supply Section used this money over the past year.

Regarding projects, monies being repaid into the fund from completed projects, coupled with contin-

ued capitalization of the program, have resulted in an increase of funds available for new projects. Figure 7 on the next page shows the history of binding commitments since the inception of the program. Due to a defined project schedule, this trend is expected to increase, which will reduce the amount of unliquidated obligations related to the DWSRF program. See Appendix D for this information.

Figure 8 on the next page shows how the cumulative value of loans, which has risen in the past ten years and with it—nearly parallel—the actual disbursements. As monies are disbursed, the amount due back into the program (accounts receivable) also increases. As such, even though the fund has been capitalized with over \$490 million as noted above, the revolving nature of the program has allowed it to enter into approximately \$523 million in bind-



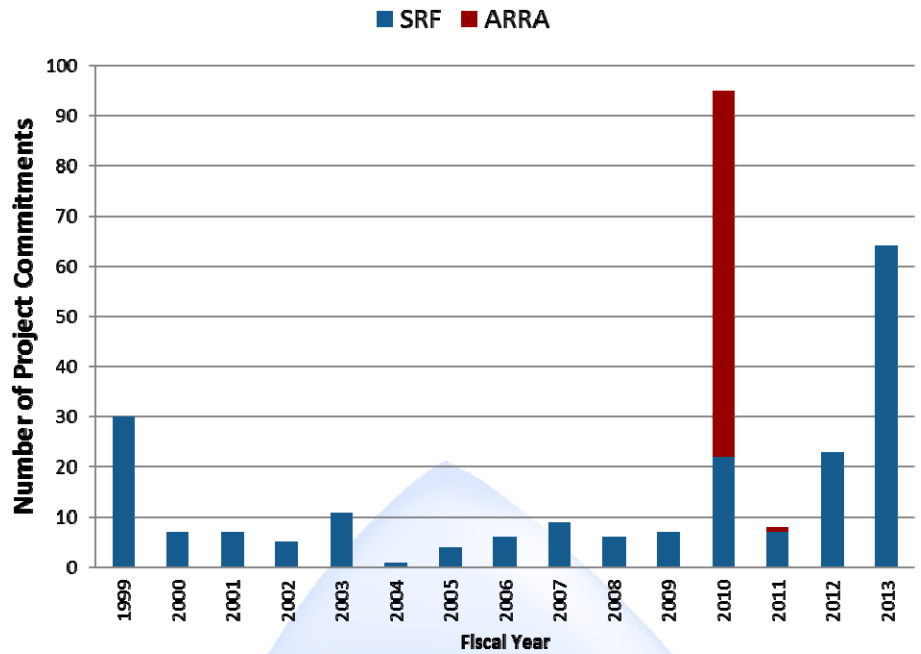
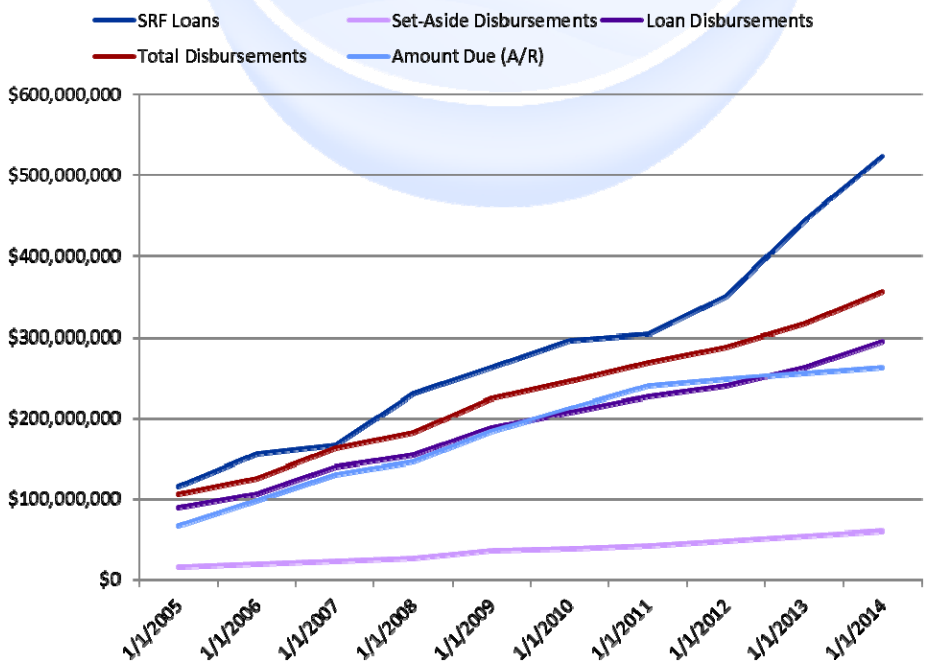


Figure 7. Binding Commitments Per Year

ing commitments at the same time. However, the ARRA fund were provided at 50 percent principal forgiveness. Principal forgiveness will not revolve back into the funding program. Therefore, the accounts receivable line has not increased at the same rate.

Finally, Figure 9 on the next page demonstrates how the combined capitalization and repayments on hand (cash), and accounts receivable, have increased the net value of the program (net assets) in North Carolina to just under \$380 million. Appendix D contains

Figure 8. DWSRF Increase in Loans





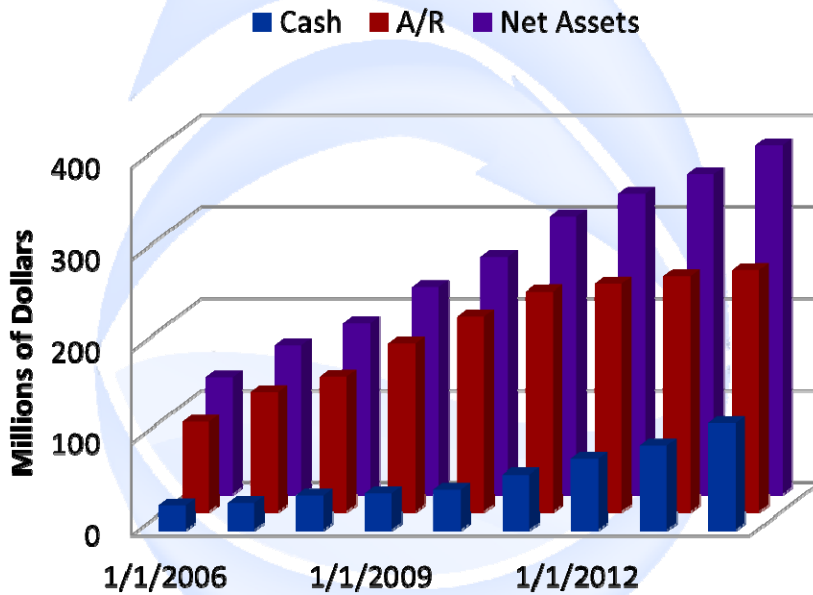
more details related to this information.

The NC DWSRF continues to reduce its unliquidated obligations and make its binding commitments of 120 percent of each grant payment. Appendix D displays the five previous fiscal years. The most recent applicable cap grant payment has already exceeded the binding commitments with a committed amount equal to 715 per-

cent made in the same quarter as the grant payment.

As the health of the overall program is maintained, North Carolina continues to disburse capitalization grant funds first, in accordance with section 1452 and have matching funds available in accordance with SB 402.

Figure 9. Increase in Net Assets





## **Appendix A – Status of Recent Projects**






STATUS OF RECENT PROJECTS

| Offer Part A / Binding                                       |              |                |                 |               |           |   |              |  |                               |  |
|--|--------------|----------------|-----------------|---------------|-----------|---|--------------|--|-------------------------------|--|
| DWSRF Funding  | Loan Type *  | Project Number | Commitment Date | Plans & Specs | Part B    | Description   | County       | Compliance Category                                  | Federal Needs Category        |  |
| Projects Authorized prior to SWIA Meetings                   |              |                |                 |               |           |   |              |  |                               |  |
| South Greene Water Corporation                               | \$580,000    | 0 %            | 1737            | 7/23/2013     | 4/28/2014 | Replace meters with Automated Meter Reading (AMR).  | Greene       | Other Assistance Not Compliance Related              | Transmission and Distribution |  |
| Fayetteville Public Works Commission                         | \$14,801,858 | 0 %            | 1761            | 7/29/2013     | 3/19/2014 | Rehabilitate P.O. Hoffer WTP / Phase I.   | Cumberland   | Assist Compliant Systems to Maintain Compliance      | Treatment                     |  |
| Alexander, County of   | \$3,210,018  | 0 %            | 1650            | 8/1/2013      | -         | Install waterlines, & a 600k-gal tank; rehab. existing BPS                                  | Alexander    | Other Assistance Not Compliance Related              | Storage                       |  |
| Kittrell Water Association, Inc.                             | \$256,005    | 0 %            | 1765            | 8/15/2013     | -         | Replace meters with Automated Meter Reading (AMR).  | Vance        | Other Assistance Not Compliance Related              | Transmission and Distribution |  |
| Randleman, City of   | \$437,106    | 0 %            | 1653            | 8/20/2013     | -         | Replace and loop waterlines and install Booster Pump Station                                | Randolph     | Assist Compliant Systems to Meet Future Requirements | Transmission and Distribution |  |
| Garland, Town of   | \$240,550    | 0 %            | 1775            | 9/10/2013     | -         | Replace residential, bulk & production well meters with Automated Meter Reading (AMR)       | Sampson      | Assist Compliant Systems to Maintain Compliance      | Transmission and Distribution |  |
| Projects authorized at January & February 2014 SWIA Meetings |              |                |                 |               |           |   |              |  |                               |  |
| Kings Mountain, Town of                                      | \$12,460,640 | 0 %            | 1785F           | 9/30/2013     | 9/30/2013 | Rehabilitate Water Treatment Plant  | Cleveland    | Other Assistance Not Compliance Related              | Treatment                     |  |
| Kings Mountain, Town of                                      | \$16,162,670 | 0 %            | 1784F           | 9/30/2013     | 9/30/2013 | Replace 24-inch Transmission line   | Cleveland    | Other Assistance Not Compliance Related              | Transmission and Distribution |  |
| Buncombe, County of  | \$214,850    | 0 %            | 1771FP          | 9/30/2013     | 9/30/2013 | Planning Loan for CTS   | Buncombe     | Other Assistance Not Compliance Related              | Planning and Design Only      |  |
| Greater Badin Water & Sewer District                         | \$5,948,630  | PF, 0%         | 1673            | 9/30/2013     | 9/30/2013 | Rehabilitate water lines  | Stanly       | Assist Compliant System to Maintain Compliance       | Transmission and Distribution |  |
| Tuckaseegee Water & Sewer Authority                          | \$1,861,900  | PF             | 1789            | 9/30/2013     | 9/30/2013 | Consolidate failing University Heights and River Park MHP systems                           | Jackson      | Assist Non-Compliance System to Achieve Compliance   | Transmission and Distribution |  |
| Sims, Town of  | \$335,267    | 0 %            | 1769            | 9/30/2013     | 9/30/2013 | Radium Filter at Deep Well Water Supply #2  | Wilson       | Assist Non-Compliance System to Achieve Compliance   | Treatment                     |  |
| Ossipee, Town of   | \$2,491,720  | 0 %            | 1825            | 9/30/2013     | 9/30/2013 | Interconnect to City of Burlington  | Alamance     | Assist Compliant System to Meet Future Requirements  | Source                        |  |
| Landis, Town of  | \$921,000    | PF, 0%         | 1834            | 9/30/2013     | 9/30/2013 | Replace meters with Automated Meter Reading (AMR).  | Rowan        | Other Assistance Not Compliance Related              | Transmission and Distribution |  |
| Raleigh, City of   | \$3,678,800  | 0 %            | 1794            | 9/30/2013     | 9/30/2013 | Chemical feed improvements  | Wake         | Assist Compliant System to Maintain Compliance       | Treatment                     |  |
| Ahoskie, Town of   | \$953,000    | PF, 0%         | 1832            | 9/30/2013     | 9/30/2013 | Replace meters with Automated Meter Reading (AMR).  | Hertford     | Other Assistance Not Compliance Related              | Transmission and Distribution |  |
| Highlands, Town of   | \$2,068,450  | PF, 0%         | 1821            | 9/30/2013     | 9/30/2013 | Replacement 2.0 MGD raw water intake, pump station and raw water line                       | Macon        | Assist Compliant System to Maintain Compliance       | Source                        |  |
| Brevard, City of   | \$1,360,500  | 0 %            | 1787            | 9/30/2013     | 9/30/2013 | Replace meters with Automated Meter Reading (AMR).  | Transylvania | Other Assistance Not Compliance Related              | Transmission and Distribution |  |
| Goldston Gulf Sanitary District                              | \$214,545    | 0 %            | 1804            | 9/30/2013     | 9/30/2013 | Replace meters with Automated Meter Reading (AMR).  | Chatham      | Other Assistance Not Compliance Related              | Transmission and Distribution |  |
| North Wilkesboro, Town of                                    | \$8,257,310  | 0 %            | 1779            | 9/30/2013     | 9/30/2013 | Kerr-Scott Reservoir Raw-Water Project -- Part I: raw water line                            | Wilkes       | Assist Compliant Systems to Meet Future Requirements | Source                        |  |
| Wilkes, County of  | \$5,598,475  | 0 %            | 1780            | 9/30/2013     | 9/30/2013 | Kerr-Scott Reservoir Raw-Water Project -- Part II: intake, pump station and water lines     | Wilkes       | Assist Compliant Systems to Meet Future Requirements | Source                        |  |
| Burgaw, Town of  | \$1,387,200  | 0 %            | 1800            | 9/30/2013     | 9/30/2013 | Rehabilitate water lines, install emergency generator and 1,300 meters                      | Pender       | Assist Compliant Systems to Maintain Compliance      | Transmission and Distribution |  |
| Aqua North Carolina, Inc.                                    | \$1,932,833  | 0 %            | 1830            | 9/30/2013     | 9/30/2013 | Replace meters with Automated Meter Reading (AMR).  | Guilford     | Other Assistance Not Compliance Related              | Transmission and Distribution |  |
| Troutman, Town of  | \$812,000    | 0 %            | 1833            | 9/30/2013     | 9/30/2013 | Waterline and meter replacement with Automated Meter Reading (AMR) technology               | Iredell      | Other Assistance Not Compliance Related              | Transmission and Distribution |  |
| Johnston County, of  | \$117,300    | 0 %            | 1790P           | 9/30/2013     | 9/30/2013 | 7/14/2014 Planning Loan for WTP filter additions and chemical feed improvement              | Johnston     | Assist Compliant Systems to Maintain Compliance      | Planning and Design Only      |  |
| Dublin, Town of  | \$147,190    | 0 %            | 1806            | 9/30/2013     | 9/30/2013 | Replace meters with Automated Meter Reading (AMR).  | Bladen       | Other Assistance Not Compliance Related              | Transmission and Distribution |  |
| Aqua of North Carolina, Inc.                                 | \$1,651,617  | 0 %            | 1829            | 9/30/2013     | 9/30/2013 | Replace meters with Automated Meter Reading (AMR).  | Cumberland   | Other Assistance Not Compliance Related              | Transmission and Distribution |  |
| Robbins, Town of   | \$15,300     | 0 %            | 1793P           | 9/30/2013     | 9/30/2013 | Planning loan for a redundant source  | Moore        | Assist Compliant Systems to Meet Future Requirements | Planning and Design Only      |  |
| Hillsborough, Town of  | \$1,960,127  | 0 %            | 1791            | 9/30/2013     | 9/30/2013 | New 0.5 MG Elevated Storage Tank  | Orange       | Assist Compliant Systems to Maintain Compliance      | Storage                       |  |
| Clinton, City of   | \$1,770,000  | 0 %            | 1792            | 9/30/2013     | 9/30/2013 | New 0.5MG Elevated Storage Tank   | Sampson      | Assist Compliant Systems to Maintain Compliance      | Storage                       |  |
| Two River Utilities  | \$300,000    | 0 %            | 1803P           | 9/30/2013     | 9/30/2013 | Pilot study to replace treatment process train  | Gaston       | Assist Compliant Systems to Maintain Compliance      | Planning and Design Only      |  |
| Eastern Wayne Sanitary District                              | \$3,300,000  | 0 %            | 1817            | 9/30/2013     |           | New wells and waterlines  | Wayne        | Assist Compliant Systems to Maintain Compliance      | Transmission and Distribution |  |
| Southeastern Wayne Sanitary District                         | \$3,800,000  | 0 %            | 1815            | 9/30/2013     |           | New well, water lines, booster pump station, elevated storage tank and ammonia feed system  | Wayne        | Assist Compliant Systems to Maintain Compliance      | Transmission and Distribution |  |
| Northwestern Wayne Sanitary District                         | \$3,837,000  | 0 %            | 1816            | 9/30/2013     |           | New wells and waterlines  | Wayne        | Assist Compliant Systems to Maintain Compliance      | Transmission and Distribution |  |
| Belfast-Patetown Sanitary District                           | \$4,100,000  | 0 %            | 1818            | 9/30/2013     |           | New wells, water lines, booster pump station, elevated storage tank and ammonia feed system | Wayne        | Assist Compliant Systems to Maintain Compliance      | Transmission and Distribution |  |
| Craven, County of  | \$16,178,995 | 0 %            | 1824            | 9/30/2013     | 7/1/2014  | New 2-MGD nanofiltration water treatment plant  | Craven       | Assist Compliant Systems to Maintain Compliance      | Treatment                     |  |
|  |              |                |                 |               |           |   |              |  |                               |  |

\* Projects labeled principal forgiveness (PF), receive receive a 80% of their loan amount forgiven, not to exceed \$2,400,000 per project.



## **Appendix B – Project Detail**

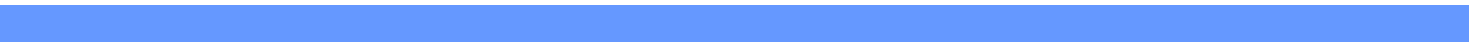




Exhibit 1. New Projects Identified for Receiving DWSRF Assistance

| Project Name                         | Project Number (WIF #) | Total Award   | Prior Years | Binding Commitments |            |               |               |
|--------------------------------------|------------------------|---------------|-------------|---------------------|------------|---------------|---------------|
|                                      |                        |               |             | Quarter Ending      |            |               |               |
|                                      |                        |               |             | 9/30/2013           | 12/31/2013 | 3/31/2014     | 6/30/2014     |
| <u>Current Year Projects</u>         |                        |               |             |                     |            |               |               |
| South Greene Water Corporation       | 1737                   | \$580,000     |             | \$580,000           |            |               |               |
| Fayetteville Public Works Commission | 1761                   | \$14,801,858  |             | \$14,801,858        |            |               |               |
| Alexander, County of                 | 1650                   | \$3,210,018   |             | \$3,210,018         |            |               |               |
| Kittrell Water Association, Inc.     | 1765                   | \$256,005     |             | \$256,005           |            |               |               |
| Randleman, City of                   | 1653                   | \$437,106     |             | \$437,106           |            |               |               |
| Garland, Town of                     | 1775                   | \$240,550     |             | \$240,550           |            |               |               |
| Kings Mountain, City of              | 1784F                  | \$16,162,670  |             |                     |            | \$16,162,670  |               |
| Kings Mountain, City of              | 1785F                  | \$12,460,640  |             |                     |            | \$12,460,640  |               |
| Brevard, City of                     | 1787                   | \$1,360,500   |             |                     |            |               | \$1,360,500   |
| Dublin, Town of                      | 1806                   | \$147,190     |             |                     |            |               | \$147,190     |
| Tuckaseegee Water & Sewer Authority  | 1789                   | \$1,861,900   |             |                     |            |               | \$1,861,900   |
| Highlands, Town of                   | 1821                   | \$2,068,450   |             |                     |            |               | \$2,068,450   |
| Burgaw, Town of                      | 1800                   | \$1,387,200   |             |                     |            |               | \$1,387,200   |
| Troutman, Town of                    | 1833                   | \$812,000     |             |                     |            |               | \$812,000     |
| North Wilkesboro, Town of            | 1779                   | \$12,240,100  |             |                     |            |               | \$12,240,100  |
| Clinton, City of                     | 1792                   | \$1,770,000   |             |                     |            |               | \$1,770,000   |
| Wilkes, County of                    | 1780                   | \$8,830,100   |             |                     |            |               | \$8,830,100   |
| Johnston County, of                  | 1790P                  | \$117,300     |             |                     |            |               | \$117,300     |
| Total Current Year Projects          |                        | \$ 78,743,587 |             | \$ 19,525,537       | \$ -       | \$ 28,623,310 | \$ 30,594,740 |

Exhibit 2. Assistance Amount by Category - DWSRF

| <u>Project Name</u>                  | <u>Project<br/>Number<br/>(WIF #)</u> | <u>Category</u> |                  |                |                     |                           |                                     | <u>Total</u> |
|--------------------------------------|---------------------------------------|-----------------|------------------|----------------|---------------------|---------------------------|-------------------------------------|--------------|
|                                      |                                       | <u>Source</u>   | <u>Treatment</u> | <u>Storage</u> | <u>Distribution</u> | <u>Purchase of System</u> | <u>Planning and<br/>Design Only</u> |              |
| Alexander, County of                 | 1650                                  |                 |                  | \$3,210,018    |                     |                           |                                     | \$3,210,018  |
| Brevard, City of                     | 1787                                  |                 |                  |                | \$1,360,500         |                           |                                     | \$1,360,500  |
| Burgaw, Town of                      | 1800                                  |                 |                  |                | \$1,387,200         |                           |                                     | \$1,387,200  |
| Clinton, City of                     | 1792                                  |                 |                  | \$1,770,000    |                     |                           |                                     | \$1,770,000  |
| Dublin, Town of                      | 1806                                  |                 |                  |                | \$147,190           |                           |                                     | \$147,190    |
| Fayetteville Public Works Commission | 1761                                  |                 | \$14,801,858     |                |                     |                           |                                     | \$14,801,858 |
| Garland, Town of                     | 1775                                  |                 |                  |                | \$240,550           |                           |                                     | \$240,550    |
| Highlands, Town of                   | 1821                                  | \$2,068,450     |                  |                |                     |                           |                                     | \$2,068,450  |
| Johnston County, of                  | 1790P                                 |                 |                  |                |                     |                           | \$117,300                           | \$117,300    |
| Kings Mountain, City of              | 1784F                                 |                 |                  |                | \$16,162,670        |                           |                                     | \$16,162,670 |
| Kings Mountain, City of              | 1785F                                 |                 | \$12,460,640     |                |                     |                           |                                     | \$12,460,640 |
| Kittrell Water Association, Inc.     | 1765                                  |                 |                  |                | \$256,005           |                           |                                     | \$256,005    |
| North Wilkesboro, Town of            | 1779                                  | \$12,240,100    |                  |                |                     |                           |                                     | \$12,240,100 |
| Randleman, City of                   | 1653                                  |                 |                  |                | \$437,106           |                           |                                     | \$437,106    |
| South Greene Water Corporation       | 1737                                  |                 |                  |                | \$580,000           |                           |                                     | \$580,000    |
| Troutman, Town of                    | 1833                                  |                 |                  |                | \$812,000           |                           |                                     | \$812,000    |
| Tuckaseegee Water & Sewer Authority  | 1789                                  |                 |                  |                | \$1,861,900         |                           |                                     | \$1,861,900  |
| Wilkes, County of                    | 1780                                  | \$8,830,100     |                  |                |                     |                           |                                     | \$8,830,100  |
|                                      |                                       | \$23,138,650    | \$27,262,498     | \$4,980,018    | \$23,245,121        | \$0                       | \$117,300                           | \$78,743,587 |



Exhibit 3. Progress Toward Satisfying the Additional Subsidization Requirement

| WIF #  | Applicant                         | Total Award \$ | Additional Subsidy Award \$ |  |                                 |
|--|-----------------------------------|----------------|-----------------------------|--|---------------------------------|
| <u>2010 Capitalization Grant</u>                     |                                   |                |                             |  |                                 |
| 1735   | Beaufort County Water District I  | \$3,500,000    | \$2,400,000                 |  |                                 |
| 1638   | Columbus County W & S District II | \$1,867,135    | \$1,500,908 Final           |  |                                 |
| 1662   | Cumberland, County of             | \$540,802      | \$432,642                   |  |                                 |
| 1636   | Duplin County Water District E    | \$917,656      | \$734,125                   |  |                                 |
| 1632   | Duplin County Water District G    | \$1,012,768    | \$810,214                   |  |                                 |
| 1637   | Greene County                     | \$3,000,000    | \$2,400,000                 |  |                                 |
| 1629   | Mount Olive, Town of              | \$2,187,850    | \$1,750,280                 |  |                                 |
| 1647P  | North Wilkesboro, Town of         | \$725,170      | \$20,000                    |  |                                 |
| 1642   | Ramseur, Town of                  | \$353,914      | \$283,131                   | CG Amt:  | \$35,593,000                    |
| 2010 Minimum Additional Subsidy: <u>\$10,677,900</u> |                                   |                | \$10,331,300                | Min (30%):   | \$10,677,900                    |
|  |                                   |                |                             | Max (30%):   | \$10,677,900                    |
| <u>2011 Capitalization Grant</u>                     |                                   |                |                             |  |                                 |
| 1593   | Asheville, City of                | \$358,580      | \$358,580 Final             |  |                                 |
| 1275   | Macon, County of                  | \$2,531,090    | \$2,531,090 Final           |  |                                 |
| 1700   | Middlesex, Town of                | \$418,992      | \$418,992 Final             |  |                                 |
| 1731   | Pink Hill, Town of                | \$219,255      | \$175,404                   |  |                                 |
| 1696   | Robbins, Town of                  | \$1,530,000    | \$1,224,000                 |  |                                 |
| 1635   | Snow Hill, Town of                | \$790,433      | \$632,346                   |  |                                 |
| 1649   | Spruce Pine, Town of              | \$2,426,000    | \$1,940,800                 |  |                                 |
| 1720   | Taylorsville, Town of             | \$1,475,000    | \$1,180,000                 | CG Amt:  | \$28,065,346                    |
| 2011 Minimum Additional Subsidy: <u>\$8,419,604</u>  |                                   |                | \$8,461,212                 | Min (30%):   | \$8,419,604                     |
|  |                                   |                |                             | Max (30%):   | \$8,419,604                     |
| <u>2012 Capitalization Grant (in progress)</u>       |                                   |                |                             |  |                                 |
| 1733   | Aulander, Town of                 | \$237,571      | \$177,876                   | PPN date of 8/22/14 is outside reporting period; Binding Commitment occurred within reporting period but had \$0 Add. Sub. |                                 |
| 1676   | Black Creek, Town of              | \$388,700      | \$310,960 *                 |  |                                 |
| 1760   | Martin County RW&SA               | \$2,013,000    | \$1,610,400                 |  |                                 |
| 1825   | Ossipee, Town of                  | \$2,491,720    | \$1,993,376 *               |  |                                 |
| 2012 Minimum Additional Subsidy: <u>\$3,493,416</u>  |                                   |                | \$4,092,612                 | CG Amt:  | \$17,467,080 (after rescission) |
|  |                                   |                |                             | Min (20%):   | \$3,493,416                     |
|  |                                   |                |                             | Max (30%):   | \$5,240,124                     |

Exhibit 3. Progress Toward Satisfying the Additional Subsidization Requirement

| WIF #  | Applicant                         | Total Award \$ | Additional Subsidy Award \$ |            |              |
|--|-----------------------------------|----------------|-----------------------------|------------|--------------|
| <u>2013 Capitalization Grant (in progress)</u>   |                                   |                |                             |            |              |
| 1832   | Ahoskie, Town of                  | \$953,000      | \$762,400 *                 |            |              |
| 1741   | Beaufort County Water District VI | \$3,500,000    | \$2,400,000                 |            |              |
| 1643   | Denton, Town of                   | \$4,389,170    | \$2,400,000                 | CG Amt:    | \$22,084,000 |
| 2013 Minimum Additional Subsidy: <u>\$4,416,800</u>  |                                   |                | \$5,562,400                 | Min (20%): | \$4,416,800  |
|  |                                   |                |                             | Max (30%): | \$6,625,200  |
| Exhibit 8A shows that North Carolina has met the Additional Subsidization requirements of the awarded Capitalization Grants (2010 - 2013). |                                   |                |                             |            |              |
| *Project has Binding Commitment only, and has not yet been provided assistance.  |                                   |                |                             |            |              |



Exhibit 4. Progress Toward Satisfying the Green Project Reserve

| WIF #   | Applicant                          | Total Award \$ | Green Award \$    |   |                                 |
|---|------------------------------------|----------------|-------------------|---|---------------------------------|
| <u>2010 Capitalization Grant</u>  |                                    |                |                   |   |                                 |
| 1701  | Benson, Town of                    | \$510,000      | \$510,000 *       |   |                                 |
| 1646  | Conover, City of                   | \$377,500      | \$377,500         |   |                                 |
| 1645  | Conover, City of                   | \$724,928      | \$724,928         |   |                                 |
| 1626  | Elizabethtown, Town of             | \$295,070      | \$295,070 Final   |   |                                 |
| 1061B   | Johnston, County of                | \$5,097,577    | \$5,097,577 Final |   |                                 |
| 1634  | Jones, County of                   | \$2,015,000    | \$2,015,000       |   |                                 |
| 1703  | Raleigh, City of                   | \$7,075,847    | \$7,075,847       |   |                                 |
| 1661  | Roanoke Rapids Sanitary District   | \$1,146,261    | \$1,146,261 Fi    | CG Amt:   | \$35,593,000                    |
| 2010 Minimum Green Project Reserve: <u>\$7,118,600</u>  |                                    |                | \$17,242,183      | 20%:  | \$7,118,600                     |
| <u>2011 Capitalization Grant</u>  |                                    |                |                   |   |                                 |
| 1691  | Aqua North Carolina, Inc.          | \$2,125,617    | \$2,125,617       |   |                                 |
| 1718  | Asheboro, City of                  | \$475,857      | \$475,857 Final   |   |                                 |
| 1713  | Bryson City, Town of               | \$1,159,995    | \$1,159,995       |   |                                 |
| 1745  | Greene, County of                  | \$1,585,613    | \$1,585,613       |   |                                 |
| 1693  | Henderson, City of                 | \$293,928      | \$293,928 Final   |   |                                 |
| 1681  | Norlina, Town of                   | \$257,235      | \$257,235 Final   |   |                                 |
| 1731  | Pink Hill, Town of**               | \$219,255      | \$219,255         |   |                                 |
| 1687  | Red Springs, Town of               | \$358,533      | \$358,533         |   |                                 |
| 1677  | Saratoga, Town of                  | \$96,450       | \$96,450          |   |                                 |
| 1737  | South Greene Water Corp.           | \$580,000      | \$580,000 *       |   |                                 |
| 1680  | Warren County WSD II               | \$233,354      | \$233,354 Final   |   |                                 |
| 1704  | Waynesville, Town of               | \$329,868      | \$329,868         | CG Amt:   | \$28,065,346                    |
| 2011 Minimum Green Project Reserve: <u>\$5,613,069</u>  |                                    |                | \$7,715,705       | 20%:  | \$5,613,069                     |
| <u>2012 Capitalization Grant</u>  |                                    |                |                   |   |                                 |
| 1767  | Broadway Water Association, Inc.   | \$226,960      | \$226,960 *       |   |                                 |
| 1682  | Louisburg, Town of                 | \$213,560      | \$213,560         |   |                                 |
| 1748  | North Lenoir Water Corporation     | \$2,200,000    | \$2,200,000 *     | PPN executed outside reporting period, but amount did not change. |                                 |
| 1672  | Orange-Alamance Water System, Inc. | \$689,000      | \$689,000 *       |   |                                 |
| 1764  | Peachland, Town of                 | \$111,149      | \$111,149 Fi      | CG Amt:   | \$17,467,080 (after rescission) |
| 2012 Minimum Green Project Reserve: <u>\$0</u>  |                                    |                | \$3,440,669       | 20%:  | \$3,493,416                     |
| <u>2013 Capitalization Grant</u>  |                                    |                |                   |   |                                 |
| 1775  | Garland, Town of                   | \$240,550      | \$240,550 *       |   |                                 |
| 1692  | Henderson, City of                 | \$1,129,000    | \$1,129,000       |   |                                 |
| 1694  | Henderson, City of                 | \$1,898,571    | \$1,898,571       |   |                                 |
| 1765  | Kittrell Water Association, Inc.   | \$256,005      | \$256,005 *       | CG Amt:   | \$20,695,000                    |
| 2013 Minimum Green Project Reserve: <u>\$0</u>  |                                    |                | \$3,524,126       | 20%:  | \$4,139,000                     |
| Exhibit 8B shows that North Carolina has met the Green Project Reserve for the Capitalization Grants (2010 and 2013) subject to a Green Project Reserve. Exhibit 8B also shows that North Carolina has funded additional "Green" projects for the Capitalization Grants (2012 and 2013) not subject to a Green Project Reserve. |                                    |                |                   |   |                                 |
| *Project has Binding Commitment only, and has not yet been provided assistance.   |                                    |                |                   |   |                                 |
| **Pink Hill 1731 was reported as a 2012 project on the 2013 Annual Report.  |                                    |                |                   |   |                                 |



## **Appendix C – Report on Set-Aside Activities**





## **Summary Report Drinking Water State Revolving Fund Set-Aside Program**

The following report on set-asides is presented in the order described in the approved Intended Use Plans.

### **I. Program Administration (up to Four Percent of Capitalization Grant)**

The DWSRF is administered by the Division of Water Infrastructure. This set-aside is used for salaries and associated expenses of personnel devoting time to program administration, as outlined in the Intended Use Plan.

### **II. Technical Assistance for Small Systems (Up to Two Percent of Capitalization Grant)**

The NCPWS Section continued to provide technical assistance to water systems serving a population of less than 10,000 consumers. Funding from this set-aside was used jointly by the NCPWS Section and the North Carolina Rural Water Association to maintain work plan activities as required to achieve maximum utilization.

A contractual agreement with NCRWA was continued to support a circuit rider position that provided technical assistance to 871 contacts of technical assistance during the period from July 1, 2013 to June 30, 2014. These contacts involved dialog with water system personnel in accordance with the objectives and methods described in the activities and assistance within the Intended Use Plan.

The NCPWS Section continued to utilize this set-aside to support three Environmental Specialist positions in Regional Offices. Overall, PWS Section staff conducted a total of 5814 site visits to small systems, including, 2649 sanitary surveys for small systems during calendar year 2013 (data entry had not been completed for all fiscal year 2014 site visits at the time data was pulled from SDWIS for this report).

### **III. Drinking Water State Program Management Functions (Up to Ten Percent of Capitalization Grant)**

#### *Administration of PWS Section Supervision Program*

Performance with this section is measured and evaluated as adherence to the terms and conditions of the PWS Section Supervision Program workplan and GPRA performance measures, reported in SDWIS and compiled directly by EPA.

#### *Administration or Technical Assistance Activities for Source Water Protection*

A full-time Source Water Protection (SWP) Program Engineer coordinates the development, implementation, and management of a Drinking Water Protection Program, including coordination

with delineation and assessment activities, wellhead protection program activities, and interaction with other state agencies.

Partnership arrangements with other agencies are a major component of NC's drinking water protection strategy. Specifically, other agencies have been recruited to integrate SWAP data into their agendas and funding priorities. Additionally, the Drinking Water Protection Program maintains a statewide Collaborative that includes representatives from university programs, government agencies, non-profit organizations, professional associations, and regional Councils of Government. This group volunteers time and resources to promote drinking water protection.

The PWS Section continued to improve its GIS mapping application, which was created to assist other agencies and programs when prioritizing environmental projects. This GIS application effectively directs resources toward drinking water assessment areas and encourages use of SWAP susceptibility ratings. The PWS Section also maintains a web-based application to deliver SWAP data to the public.

The SWP Program continued to promote the development of local SWP plans. This effort included outreach to local government officials, public water providers, and stakeholder groups. To date, eight public water providers using surface sources have completed comprehensive SWP Plans. These water providers serve a combined population of approximately 226,875 consumers.

As an incentive to participate in the Source Water Protection Program, a low-interest loan program for land conservation exists and is administered by the SWP Program Engineer. To qualify for this program, an applicant must have an approved Source Water Protection Plan and the land conservation project must clearly demonstrate SWP benefits.

#### *Development and Implementation of a Capacity Development Strategy*

Performance with this section is reported to EPA annually in North Carolina's Capacity Development Progress Report. As described in the Intended Use Plan workplan, a Capacity Development team leader position is funded. In recent years, the Capacity Development program has developed electronic tools and training to improve water system compliance. The Capacity Development Team Leader is also leading the development of the Engineering Planning and Development Guidance Document.

Electronic tools include the Sampling Status report and analysis of water system performance data for the Area Wide Optimization Program. The Sampling Status report demonstrates what monitoring is required and what samples have been received during the current period. Analysis for the Area Wide Optimization Program ranks water system performance based on data submitted electronically and highlights areas for system improvement. The NCPWS Section issues awards to systems meeting optimization goals.

Training included regulatory and treatment training at the North Carolina Waterworks Operators School, in addition to sessions scheduled by and held at PWS Section regional offices.

The Engineering Planning and Development Guidance document is a document presenting preferred design criteria for water systems in North Carolina. The document covers all facets of water system design including distribution, storage tanks, treatment, and general design criteria.



The NCPWS Section expects the document to clarify design requirements to water system owners and engineers and thereby reduce project review time. Two chapters describing submittal requirements and the review and permitting process have been published.

#### **IV. Local Assistance and Other State Programs (Up to Fifteen Percent of Capitalization Grant)**

##### *Establishment and Implementation of a Wellhead Protection Program*

A full-time Wellhead Protection (WHP) Program Hydrogeologist coordinates the development, implementation, and management of a WHP Program within the NC PWS Section. During the current reporting period the WHP Program continued to implement a process for the review and approval of local WHP plans, including the evaluation and review of draft wellhead protection area (WHPA) delineations. In addition, the WHP Program continued to develop and maintain an MS Access database for tracking WHP Program information.

The WHP Program received eleven WHP plans during the reporting period, four first time submittals, five updates/renewals of previously approved plans, and two complete revisions of formally submitted plans that had failed to receive approval. The submitted plans bring the total number of unique WHP plans submitted to date to 176. Seven WHP plans covering 19 PWS systems received approval during the current reporting period. These seven approved plans represent both first time submittals as well as renewals of previously approved plans and brings the total number of approved WHP plans to 136. These 136 approved WHP plans cover 148 PWS systems comprising 875 wells serving a population of 919,951.

The WHP Program continued to provide information and technical assistance as requested to support WHP activities. Example information includes the following:

- WHP plan requirements;
- the NC WHP Guidebook;
- brochures to promote local source water protection efforts;
- lists of PWS systems with approved WHP plans;
- maps of approved WHPAs;
- source aquifer determination;
- assessment of the degree of aquifer confinement;
- aquifer recharge rates;
- determination of the size, shape and orientation of WHPAs; and
- information on potential contamination sources.

Such information is commonly accompanied by recommendations to reduce contamination risk, waste handling practices, standard operating procedures and best management strategies. The WHP Program also provided information to the State's Division of Waste Management (DWM) to support oversight of remediation efforts conducted at sites with ground-water contamination resulting from leaking underground storage tanks.

The WHP Program continued to develop and maintain ArcView GIS shapefiles for approved WHPAs. Maps of approved WHPAs on USGS 7.5 minute topographic quadrangle base maps were

generated to accompany WHP plan approval letters. Additionally, to facilitate the efficient transfer of this information, electronic versions of the approved WHPA maps as JPEG images were produced and distributed. A total of 327 individual JPEG map images are currently available via email to interested parties upon request.

The NC PWS Section administered a contractual agreement with NCRWA to provide assistance to PWS systems in the development of local WHP plans. Many of these systems are small systems that lack the technical and financial resources to pursue drinking water protection on their own. Under conditions of the contract, NCRWA provided on-site technical assistance in the development and implementation of WHP plans customized to individual communities. This activity included guidance to identify potential contaminants and effective actions to prevent contaminants from entering their drinking water supply.

### Capacity Development

The NCPWS Section continued to utilize this set-aside to support nine positions in Regional Offices. These positions provide direct support to water systems as they pursue Capacity Development goals and compliance with the Safe Drinking Water Act. Working in conjunction with other regional office staff, these positions review water systems' financial and managerial capabilities and perform sanitary surveys and site visits.

Overall, PWS Section staff conducted a total of 7731 site visits, including, 2848 sanitary surveys for all systems (including small systems) during calendar year 2013. Data entry was not complete for fiscal year 2014 site visits at the time data was pulled from SDWIS for this report.



## **Appendix D – Binding Commitments by Quarter**





In accordance with 40 CFR 35.23550(e)(1), States must have binding commitments of at least 120% of a capitalization grant payment within one year of receiving that grant payment.

| Calendar Period   | 2009 Cap Grant | 2010 Cap Grant | 2011 Cap Grant | 2012 Cap Grant | 2013 Cap Grant | Total Grant Payments | Total Commitments | Commitments minus Grant Payment | Available Bank = four most recent quarters from previous column | Available Bank/Total Grant Payments |
|-------------------|----------------|----------------|----------------|----------------|----------------|----------------------|-------------------|---------------------------------|---|-------------------------------------|
| 2009 : July-Sept  |                |                |                |                |                | \$0                  | \$2,317,507       | \$2,317,507                     | \$32,787,013  | *                                   |
| 2009 : Oct-Dec    |                |                |                |                |                | \$0                  | \$23,404,826      | \$23,404,826                    | \$31,225,336  | *                                   |
| 2010 : Jan-Mar    |                |                |                |                |                | \$0                  | \$904,740         | \$904,740                       | \$5,048,510   | *                                   |
| 2010 : April-June |                |                |                |                |                | \$0                  | \$6,159,940       | \$6,159,940                     | \$1,143,770   | *                                   |
| 2010 : July-Sept  | 100,000        |                |                |                |                | \$100,000            | \$855,830         | \$755,830                       | -\$3,398,353  | *                                   |
| 2010 : Oct-Dec    | 3,000,000      |                |                |                |                | \$3,000,000          | \$228,000         | -\$2,772,000                    | -\$19,237,683   | *                                   |
| 2011 : Jan-Mar    | 3,000,000      |                |                |                |                | \$3,000,000          | \$0               | -\$3,000,000                    | -\$12,177,578   | *                                   |
| 2011 : April-June | 4,000,000      |                |                |                |                | \$4,000,000          | \$5,617,817       | \$1,617,817                     | -\$935,297  | *                                   |
| 2011 : July-Sept  | 17,314,000     | 1,500,000      |                |                |                | \$18,814,000         | \$3,730,500       | -\$15,083,500                   | \$15,219,083  | 80.89%                              |
| 2011 : Oct-Dec    |                | 4,000,000      |                |                |                | \$4,000,000          | \$8,288,105       | \$4,288,105                     | \$31,998,933  | 799.97%                             |
| 2012 : Jan-Mar    |                | 4,000,000      |                |                |                | \$4,000,000          | \$12,242,281      | \$8,242,281                     | \$50,723,990  | 1268.10%                            |
| 2012 : April-June |                | 5000000        |                |                |                | \$5,000,000          | \$22,772,197      | \$17,772,197                    | \$54,196,758  | 1083.94%                            |
| 2012 : July-Sept  |                | 21,093,000     | 3,000,000      |                |                | \$24,093,000         | \$25,789,350      | \$1,696,350                     | \$47,860,838  | 198.65%                             |
| 2012 : Oct-Dec    |                |                | 8,800,000      |                |                | \$8,800,000          | \$31,813,162      | \$23,013,162                    | \$52,037,586  | 591.34%                             |
| 2013 : Jan-Mar    |                |                | 4,200,000      | 1,855,279      |                | \$6,968,446          | \$18,683,495      | \$11,715,049                    | \$22,870,120  | 328.20%                             |
| 2013 : April-June |                |                | 4,000,000      | 2,968,446      |                | \$6,968,446          | \$18,404,723      | \$11,436,277                    | \$30,432,016  | 436.71%                             |
| 2013 : July-Sept  |                |                | 8,065,346      | 3,710,558      | 1,876,535      | \$13,652,439         | \$19,525,537      | \$5,873,098                     | \$45,837,409  | 335.75%                             |
| 2013 : Oct-Dec    |                |                |                | 3,339,502      | 2,814,802      | \$6,154,304          | \$0               | -\$6,154,304                    | \$39,964,311  | 649.37%                             |
| 2014 : Jan-Mar    |                |                |                | 5,593,295      | 3,753,070      | \$9,346,365          | \$28,623,310      | \$19,276,945                    | \$46,118,615  | 493.44%                             |
| 2014 : April-June |                |                |                |                | 3,753,070      | \$3,753,070          | \$30,594,740      | \$26,841,670                    | \$26,841,670  | 715.19%                             |
| 2014 : July-Sept  |                |                |                |                | 9,886,523      |                      |                   |                                 |   |                                     |

\$ 27,414,000    \$ 35,593,000    \$ 28,065,346    \$ 17,467,080    \$ 22,084,000

\* These cells and possibly subsequent cells would be impacted by 2008 and earlier cap grants such that the percentages would increase



## **Appendix E – Financial Exhibits**



**STATE OF NORTH CAROLINA**  
**EPA Revolving Loan Fund**  
**Combining Statement of Net Assets**  
**June 30, 2014 and 2013**

**Exhibit 1**

|   | 2014           | 2013           |
|---|----------------|----------------|
| <b>ASSETS</b>                                   |                |                |
| Current Assets:                                 |                |                |
| Cash and Cash Equivalents                       | \$ 115,637,240 | \$ 91,528,192  |
| Investment-Bond Proceeds                        | 0              | 0              |
| Receivables:                                    |                |                |
| Loans (Due within one year)                     | 26,446,539     | 14,945,701     |
| Accrued Interest                                | 948,873        | 991,935        |
| Other   | 155,116        | 32,520         |
| State Treasurer's Securities Lending Collateral | 13,447,124     | 7,935,114      |
| Total Current Assets                            | 156,634,892    | 115,433,462    |
| Capital Assets, Depreciable                     |                |                |
| Machinery and Equipment                         | 183,863        | 167,804        |
| Accumulated Depreciation                        | (127,342)      | (109,073)      |
| Total Capital Assets, Depreciable (net)         | 56,521         | 58,731         |
| Noncurrent Assets:                              |                |                |
| Loans Receivable (Due after one year)           | 236,459,359    | 241,063,665    |
| Total Assets                                    | 393,150,772    | 356,555,858    |
| <b>LIABILITIES</b>                              |                |                |
| Current Liabilities:                            |                |                |
| Accounts Payable                                | 133,604        | 115,505        |
| Accrued Vacation Leave                          | 21,250         | 10,921         |
| Accrued Payroll                                 | 0              | 0              |
| Obligations Under State Treasurer's Securities  |                |                |
| Lending Agreements                              | 13,766,951     | 8,334,977      |
| Other Accrued Liabilities                       | 25,323         | 26,519         |
| Total Current Liabilities                       | 13,947,128     | 8,487,922      |
| Noncurrent Liabilities:                         |                |                |
| Accrued Vacation Leave                          | 281,058        | 293,854        |
| Total Liabilities                               | 14,228,186     | 8,781,776      |
| <b>NET ASSETS</b>                               |                |                |
| Invested in Capital Assets, net of related debt | 56,521         | 58,731         |
| Restricted for:                                 |                |                |
| Program Loans                                   | 378,866,065    | 347,715,350    |
| Total Net Assets                                | \$ 378,922,586 | \$ 347,774,081 |



**STATE OF NORTH CAROLINA**  
**EPA Revolving Loan Fund**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Net Assets**  
**For the Fiscal Year Ended June 30, 2014 and 2013**

**Exhibit 2**

**REVENUES**

Operating Revenues:

|                          |              |              |
|--------------------------|--------------|--------------|
| Interest Income on Loans | \$ 4,464,375 | \$ 4,210,939 |
| Loan Closing Fees        | 1,081,267    | 735,644      |
| Miscellaneous            |              |              |
|                          | <hr/>        | <hr/>        |
| Total Operating Revenues | 5,545,642    | 4,946,583    |
|                          | <hr/>        | <hr/>        |

**EXPENSES**

Operating Expenses:

|                          |           |           |
|--------------------------|-----------|-----------|
| Personal Services        | 3,253,359 | 3,347,704 |
| Supplies and Material    | 39,163    | 44,623    |
| Services                 | 1,458,104 | 1,418,238 |
| Depreciation             | 18,269    | 17,389    |
| Insurance & Bonding      | 12,355    | 11,935    |
| Other Fixed Charges      | 14,852    | 31,065    |
| Capital Outlay           | 36,925    | 39,650    |
| Other Expenses           | 119,045   | 159,062   |
|                          | <hr/>     | <hr/>     |
| Total Operating Expenses | 4,952,072 | 5,069,666 |
|                          | <hr/>     | <hr/>     |

|                         |         |           |
|-------------------------|---------|-----------|
| Operating Income (Loss) | 593,570 | (123,083) |
|                         | <hr/>   | <hr/>     |

**NONOPERATING REVENUES (EXPENSES)**

|   |              |             |
|---|--------------|-------------|
| Federal Grants                              | 32,183,133   | 30,500,906  |
| Interest Income                             | 101,261      | (28,486)    |
| Grants, Aid and Subsidies                   | (11,186,076) | (7,656,020) |
| Sale of Surplus Property                    |              | 176         |
| Gain (loss) on Sale of Property & Equipment |              |             |
| Miscellaneous                               | (11,469)     | (15,075)    |
|   | <hr/>        | <hr/>       |

|                             |            |            |
|-----------------------------|------------|------------|
| Total Nonoperating Revenues | 21,086,849 | 22,801,501 |
|                             | <hr/>      | <hr/>      |

|                         |            |            |
|-------------------------|------------|------------|
| Income Before Transfers | 21,680,419 | 22,678,417 |
|                         | <hr/>      | <hr/>      |

|               |           |             |
|---------------|-----------|-------------|
| Transfers In  | 9,561,222 |             |
| Transfers Out | (493,000) | (1,356,715) |
|               | <hr/>     | <hr/>       |

|   |             |             |
|---|-------------|-------------|
| Increase in Net Assets                        | 30,748,641  | 21,321,703  |
| Net Assets July 1 (restated in 2013 for 2010) | 348,173,945 | 326,452,378 |
|   | <hr/>       | <hr/>       |

|                    |                |                |
|--------------------|----------------|----------------|
| Net Assets June 30 | \$ 378,922,586 | \$ 347,774,081 |
|                    | <hr/>          | <hr/>          |

**STATE OF NORTH CAROLINA**  
**EPA Revolving Loan Fund**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2014 and 2013**

**Exhibit 3**

|   | 2014           | 2013          |
|---|----------------|---------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                |               |
| Receipts from customers   | \$ 1,081,267   | \$ 735,644    |
| Payments to employees and fringe benefits   | (3,255,826)    | (3,316,172)   |
| Payments to vendors and suppliers   | (1,544,496)    | (1,491,372)   |
| Other Receipts/Payments   | (119,045)      | (159,062)     |
| Net Cash Used by Operating Activities   | (3,838,100)    | (4,230,963)   |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |                |               |
| Grants  | 31,395,304     | 24,824,777    |
| Federal Recovery Funds (ARRA)   | 665,233        | 5,719,661     |
| Transfers in  | 9,561,222      |               |
| Transfers out   | (493,000)      | (1,356,715)   |
| Grants, Aid and Subsidies   | (11,186,076)   | (7,656,020)   |
| Net Cash Provided from Noncapital Financing Activities  | 29,942,683     | 21,531,703    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                 |                |               |
| Acquisition and construction of capital assets  | (16,059)       | (12,410)      |
| Sale of Surplus and Adjustment  |                | 176           |
| Net Cash Used in Capital Financing Activities   | (16,059)       | (12,234)      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                |               |
| Redemptions from the State Treasurer L/T investment pool  |                |               |
| Purchase into State Treasurer L/T investment pool   |                |               |
| Repayment on loans  | 21,530,585     | 18,771,869    |
| New loans issued  | (28,427,117)   | (27,058,598)  |
| Interest on loans   | 4,517,895      | 5,330,809     |
| Other   | 399,161        | 361,536       |
| Net Cash Provided by Investing Activities   | (1,979,476)    | (2,594,385)   |
| Net Increase (decrease) in total Cash and Cash Equivalents                                      | 24,109,048     | 14,694,120    |
| Cash and Cash Equivalents, Beginning of Year  | 91,528,192     | 76,834,072    |
| Cash and Cash Equivalents, End of Year  | \$ 115,637,240 | \$ 91,528,192 |
| <b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> |                |               |
| Operating Income (Loss)   | \$ 593,570     | (123,083)     |
| Adjustments to Reconcile Operating Income to Net  |                |               |
| Depreciation/Amortization Expense   | 18,269         | 17,389        |
| Cash Flow provided by Operating Activities:   |                |               |
| Nonoperating loan interest income   | (4,464,375)    | (4,210,939)   |
| Loan Repayment  |                |               |
| (Increase) Decrease in Current Assets   |                |               |
| Increase (Decrease) in Liabilities  | 14,436         | 85,671        |
| Net Cash Used by Operating Activities   | \$ (3,838,100) | (4,230,963)   |
| <b>NONCASH INVESTING ACTIVITIES</b>   |                |               |
| Assets Acquired Through the Assumption of a Liability   | 8,015,051      | 7,935,114     |
| Change in fair value of investments   | (319,827)      | (399,864)     |



# State Wastewater and Drinking Water Reserve Annual Report

State of North Carolina

Fiscal Year 2013-2014

September 30, 2014



*Financing Community Water Needs*



*The North Carolina Legislature passed legislation for the state wastewater reserve and state drinking water reserve to address water quality and public health issues in smaller, financially disadvantaged communities.*

## Table of Contents

|   |    |
|---|----|
| Introduction.....   | 3  |
| Overview of Programs .....  | 3  |
| Origins.....  | 3  |
| Legislative Changes .....   | 4  |
| Purposes of Funding Programs .....  | 4  |
| State Revolving Loan.....   | 5  |
| State Emergency Loan .....  | 5  |
| High Unit Cost Grants .....   | 5  |
| Technical Assistance Grants .....   | 5  |
| Project Funding.....  | 6  |
| Prioritization .....  | 7  |
| Funding Schedule.....   | 8  |
| Loan Programs .....   | 8  |
| Grant Programs .....  | 8  |
| Project Benefits .....  | 9  |
| Loans.....  | 9  |
| Grants.....   | 10 |
| Financial Health.....   | 11 |
|   |    |
| Appendix A — Active Projects within the State Water Infrastructure Reserve Programs           |    |
| Appendix B — Financial Information Related to the State Water Infrastructure Reserve Programs |    |



## Introduction

The Division of Water Infrastructure (the Division) was created within the North Carolina Department of Environment and Natural Resources (NCDENR). The Division administers financial assistance programs to assist local government units (LGUs) in constructing projects that both benefit water quality and improve the human environment.

Specifically, the Division administers the State Drinking Water and Wastewater Reserve Loan and grant programs. General Statute (G.S.) 159G-22(d) and (f) created the State Wastewater Reserve (SWWR) and the State Drinking Water Reserve (SDWR), respectively. Each program offers loans and grants. In terms of loans, both state revolving loans (SRL) and state emergency loans (SEL) are available in the wastewater reserve.

In terms of grants, both Technical Assistance Grants (TAG) and High Unit Cost Grants (HUC) are available for both wastewater (WW) and drinking water (DW) as part of the SWWR and SDWR.

As part of the Water Infrastructure Fund statutes, G.S. 159G-26(a) requires an annual report on the status of the SWWR and SDWR for the previous state fiscal year. For the purposes of this report, the most recently completed state fiscal year is FY 2013-2014.

The following sections discuss (1) the overview of the programs, (2) the goals of both the grant funding programs and loan funding programs, (3) project funding, and (4) project benefits.

## Overview of Programs

To understand why the state reserve programs function as they currently do, it is important to gain an understanding of its

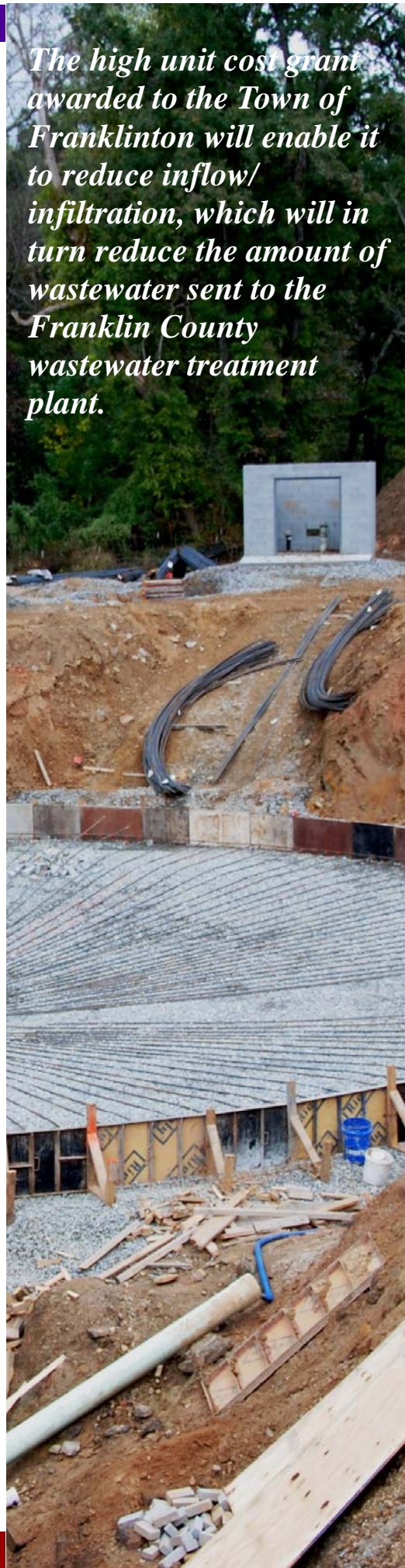
origins as well as recent legislative changes that have influenced the SWWR and SDWR.

## Origins

In the late 1990's, the North Carolina General Assembly (NCGA) passed legislation that created the SWWR and SDWR grant and loan programs. While the grant programs were not fur-

ther funded, the SRL and SEL programs for both the SWWR and SDWR programs continued to be funded. Due to state budget constraints in 2008 and 2009, funds from the SDWR portion of the

*The high unit cost grant awarded to the Town of Franklinton will enable it to reduce inflow/infiltration, which will in turn reduce the amount of wastewater sent to the Franklin County wastewater treatment plant.*





*Currently, the Town of Green Level pays the highest water and sewer bills in the entire State of North Carolina. Without both the zero-percent [State Revolving Loan] and the 2.5 percent [Clean Water State Revolving Fund] loan to complete this project, the financial requirements concerning the sewer bill for the Town of Green Level would have been an insurmountable obstacle.*

*—Daniel B. Gerald,  
MPA, Town Administrator,  
Town of Green Level*

loan programs were utilized to provide the state match for the Drinking Water State Revolving Fund (DWSRF) program.

In Fiscal Year 2013-2014, the NCGA authorized \$3.5 million in grant funding to be used for HUC grants and TAG grants for both wastewater (WW-HUC, WW-

TAG) and drinking water (DW-HUC, DW-TAG). These grants are dispensed through the SWWR and SDWR programs. For Fiscal Year 2014-2015, the amount of grant funds that are available is \$5 million.

## Legislative Changes

The 2013 legislation that created the Division also created the State Water Infrastructure Authority (the Authority). The Authority consists of nine members, three *ex officio* members, two members appointed by the North Carolina House of Representatives, two members appointed by the North Carolina Senate, and two members appointed by the Governor. The legislation includes twelve tasks for Authority members.

Among those tasks, the Authority must (1) establish priorities for making loans and grants that are consistent with Federal law; (2) review the criteria for making loans and grants, which includes any recommendations for addi-

tional criteria; (3) develop guidelines for making loans and grants; and (4) review recommendations for grants and loans as submitted by Division staff to determine the rank of applications and to select the applications that are eligible to receive grants and loans. Since the SWWR and SDWR programs fall under the purview of the Division, all priorities must be approved by the Authority, and all funding applications must be approved by the Authority.

Please note that with the WW-HUC, DW-HUC, WW-TAG, and DW-TAG programs, the Division provides the Authority only with a list of projects ranked according to prioritization score.

## Purposes of the Funding Programs

The NCGA introduced the 159G General Statutes to provide additional funding for drinking water and wastewater projects.

The following sections highlight the goals of each program for both loans and grants.



## State Revolving Loan

This loan program provides low-interest loans to LGUs. For some LGUs who meet the HUC threshold, they may receive loans at zero percent while others

receive low-interest loans at the current rate of 2.21 percent. The current loan limit per LGU is \$3 million per loan.

## State Emergency Loan

This loan program allows for LGUs with a valid wastewater emergency or public health hazard deemed appropriate by the Secretary of NCDENR with input from the appropriate Division of Water Resources (DWR) regional offices to receive

an emergency loan at any time without Authority approval. The SEL may be offered at zero percent for those who meet the HUC threshold or at the going rate of 2.21 percent.

## High Unit Cost Grants

High unit cost grants are available to those communities within Tier 1 and Tier 2 (pursuant to SL2013-360) counties who have demonstrated that they exceed the HUC threshold. This threshold, as defined in statute is either greater than 1.5 percent of the median household income for both water and sewer bills or 0.75 percent of the median household income for LGUs with either a water or sewer utility. The pur-

pose of these funds is to enable financially disadvantaged communities funds to address issues associated with drinking water and wastewater infrastructure.

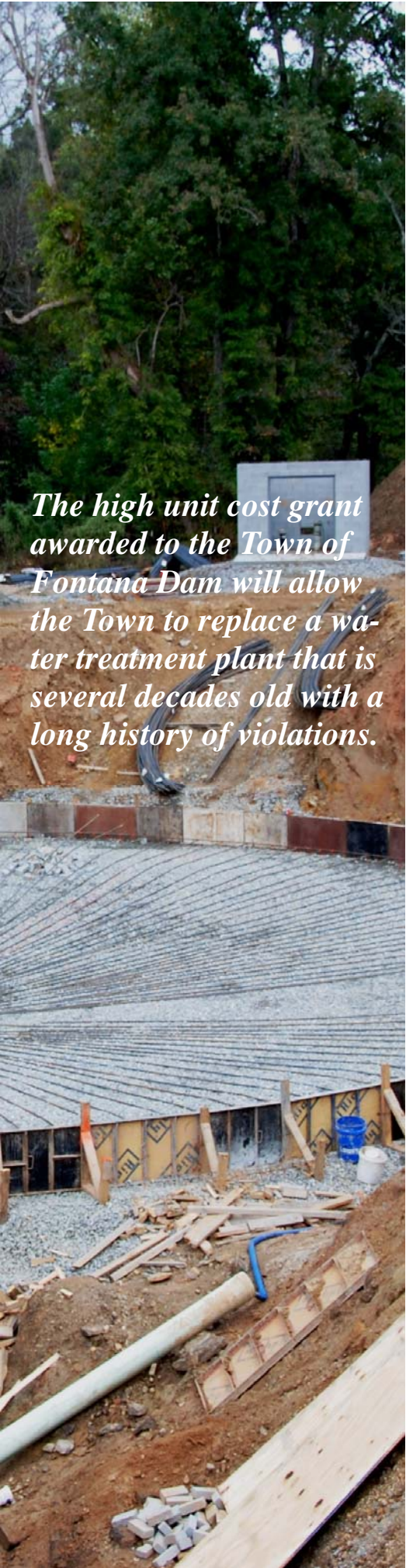
Local government units may receive a HUC grant under either the SDWR or WWDR up to \$3 million over a period of three consecutive fiscal years [G.S. 159G-36(c)(3)].

## Technical Assistance Grants

Technical assistance grants provide a monetary mechanism for LGUs to study a problem and determine a viable solution. The statutory definition for TAGs varies between wastewater and drinking water.

For wastewater, a TAG is available to determine the best way to

correct the deficiencies within a wastewater treatment works or collection system that is in violation of its permit limits or, based upon the most recent inspection report by a regional office, has operational issues and, as a result, has the potential to violate its permit limits [§159G-33(a)(3)].



*The high unit cost grant awarded to the Town of Fontana Dam will allow the Town to replace a water treatment plant that is several decades old with a long history of violations.*



*Before the [State Revolving Loan] project, there was only one clarifier, and if that malfunctioned, there was no treatment capability. Now we have a second new clarifier, and the original one was renovated so now we have treatment capabilities even when one of the clarifiers is down. The Town believes the reliability at the plant has improved dramatically.*

*—Timothy Barth, Interim Town Manager, Town of Columbus.*

For drinking water, a TAG is available to determine the best way to correct the deficiencies in a public water system that does not comply with state law or the rules adopted to implement that law [G.S. 159G-34(a)(3)].

For either TAG type, the statutes limit grant amounts to \$50,000 per LGU over a period of three consecutive fiscal years [G.S. 159G-36(c)(4)].

## Project Funding

For the wastewater SRL program, currently there are two funding rounds per year with deadlines of March 30<sup>th</sup> and September 30<sup>th</sup>. For the wastewater SEL, LGUs may submit SEL applications at any point during the year [G.S. 159G-39(b)].

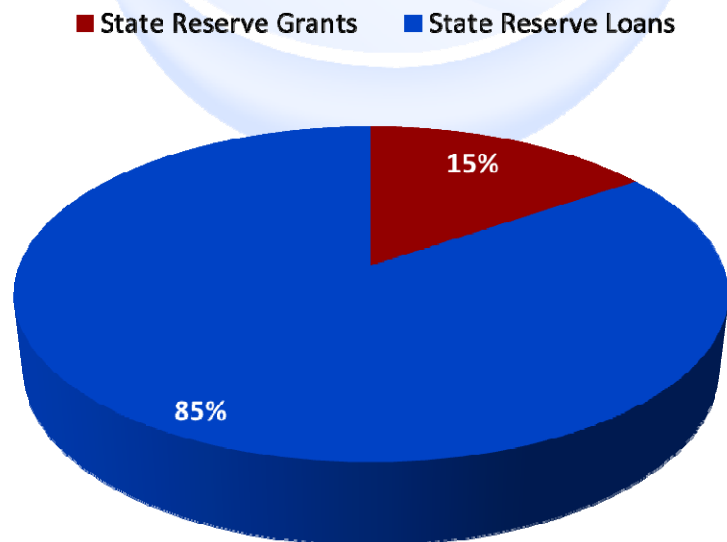
For the SWWR and SDWR grant program, applications are accepted once a year in the fall with funding rounds lining up to the fall funding rounds for the Clean Water State Revolving Fund (CWSRF) and DWSRF programs.

As shown in the graph, the loans made under the state program over the past two years are greater than the grants made, which is due to the amount of grant funding available.

The following sections discuss the prioritization methodology utilized for the loan programs as well as for the grant programs. For the purposes of this report, all active loans for the past year are discussed, as are grants for the inaugural funding round that occurred in April 2014.

Figure 1 shows the division of funds between grants and loans.

Figure 1. Distribution of State Reserve Funds between Grants and Loans





## Prioritization

Historically for the SRL program, there has been a prioritization system in place to rank projects as a way to determine the best candidates for funding. Local government units requesting funding through the SEL program are not subject to prioritization since they can apply at any time during the year.

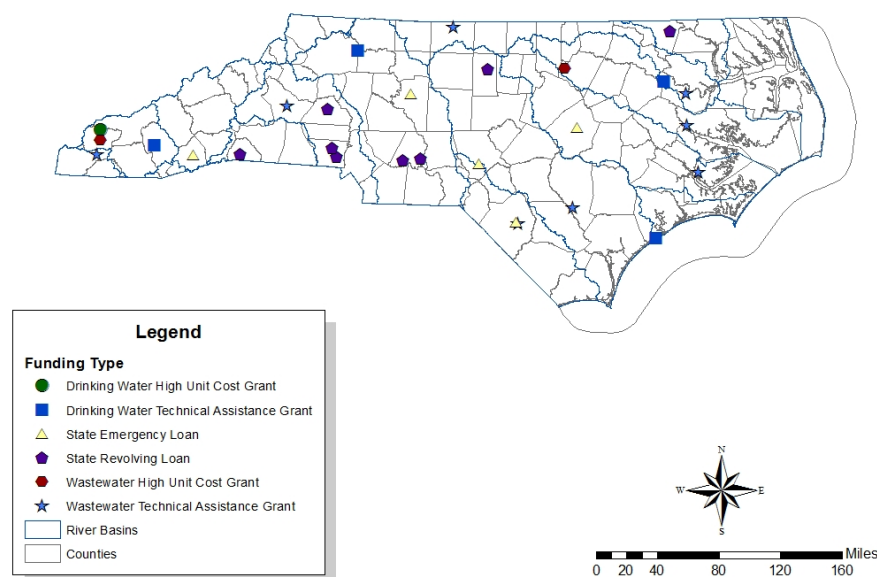
In the SWWR and SDWR grant programs, the Authority approved a prioritization system that is similar to the CWSRF and DWSRF funding rounds but includes the common criteria listed in G.S. 159G-23. Division staff utilize the systems to evaluate projects in four major categories. For the WW-HUC, Division staff rank projects based on (1) project type, (2) environmental benefit, (3) sys-

tem management, and (4) financial situation. For the DW-HUC, Division staff rank projects based on (1) project type, (2) public health benefit, (3) system management, and (4) financial situation.

For the WW-TAG and DW-TAG, Division staff utilize the same prioritization systems as mentioned above. The main difference is that no project type points are given for projects applying under the TAG program.

Figure 2 shows the distribution of loans and grants across the state.

**Figure 2. Distribution of Projects by Funding Type**



Along with a Clean Water State Revolving Fund Loan, a State Revolving Loan is helping to consolidate wastewater discharge from several local government units in northern Gaston County into a connector that will send these flows to the Two Rivers Utilities.





*The Division received approximately \$24.4 million in grant applications and was able to fund approximately \$3.5 million of those projects (14.3 percent of funding requests).*

## Funding Schedule

The schedule that all applicants must follow if they choose to accept a SRL, SEL, or HUC grant includes the following: (1) application received, (2) engineering report / environmental information document approved, (3) plans and bid documentation approved, (4) Authority to Award issued, and (5) construction contracts executed. This system requires that both the Division and applicants

meet these deadlines as well as additional interim deadlines.

For the TAG program, grant recipients are required to go through a study process and produce as an end product a deliverable such as an engineering report or sanitary sewer evaluation study.

## Loan Programs

The State Revolving Loan Program received two applications for the SEL and no applications this for the SRL past year.

Currently, five SEL projects are active while nine SRL projects are active. One of the projects is a collection system project while the other will rehabilitate a collection system.

ened level of activity over the past year with two projects submitting applications to the program during this time. One project will utilize the SEL funds to rehabilitate their collection system as part of a settlement agreement between NCDENR and the LGU. Appendix A shows a listing of these projects.

The SEL program saw a height-

## Grant Programs

As mentioned above, the Authority determines the funding related to both the HUC grant and TAG programs and therefore the funding allocation among the four components of the grant program. For the inaugural round of the HUC and TAG grant programs, \$3.5 million was available, and the Division received applications for a total of approximately \$24.4 million (\$15.6 million for

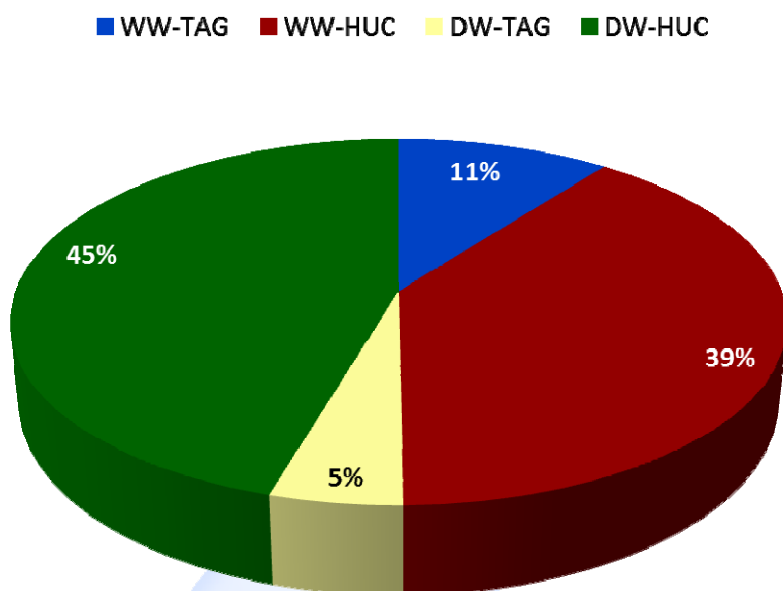
WW and \$8.8 million for DW).

Due to the fund limits placed on the TAG program, this portion overall received less funding while the DW- and WW-HUC grants received more.

Figure 3 on the following page shows the breakdown of how the awarded funds were split among the programs. As clearly shown,







**Figure 3. Funding Distribution for the High Unit Cost and Technical Assistance Grants**

the DW-HUC program received the greatest portion of funds with the WW-HUC program next. The TAGs received only ten percent of the funds with seven percent and three percent going to wastewater and drinking water, respectively.

However, more TAGs were awarded (twelve) than HUC grants (three) due to the funding limits placed upon these grants (see Appendix A).

## Project Benefits

One of the major goals of the SWWR and SDWR programs is to provide the funds needed to address wastewater and drinking water issues for LGUs

within the state. The following sections touch on the benefits resulting from both loans and grants.

### Loans

The SRL program is similar to the CWSRF program in that it provides low-interest or zero-interest loans to LGUs who need to improve their wastewater infrastructure. The loans where binding commitments were made over

the past year through the SRL program have enabled two LGUs to address wastewater issues by either taking a small, aging wastewater treatment plant offline and sending it to a more modernized facility or by determining the

*Two local government units have a combined sewer bill as compared to median household income above four percent. The state revolving loan and high unit cost grant received by these communities will enable them to decrease their user fees to a more manageable level.*





*Two state emergency loans have allowed local government units to rehabilitate failing interceptors that were on the verge of collapsing.*

needs for rehabilitation in a collection system and beginning to address those needs.

Over the past year, LGUs have utilized the SEL program more frequently than in previous years. As mentioned previously, the statutes state that the SEL program provides assistance to address problems that will create a serious public health hazard due to a wastewater treatment works or collection system deficiency [G.S. 159G-33(a)(4)].

All three of the LGUs making a binding commitment for a SEL over the year have addressed imminent or present threats to public health due to collection system

issues. Two of the projects rehabilitated major interceptors that had created a threat to public health. One project addressed overflows during high rainfall events by expanding it to be able to accommodate the flows and allow for future flow to be added. The fourth project will address inflow / infiltration issues related to their collection system, which will enable them to fulfill the requirements of a settlement agreement with NCDENR. Last, an SEL will enable one LGU to address faulty construction issues of an old interceptor that have caused force main bursting.

## Grants

One of the major goals of the HUC programs is to provide grant funds to disadvantaged communities that will enable them to address water quality or public health issues related to wastewater and drinking water infrastructure [G.S. 159G-33(a)(2), 159G-34(a)(2)]. The priority points system approved by the Authority emphasized financial need and project type as the most important factors to consider. For the HUC program, the three projects, one drinking water and two wastewater, rehabilitated and/or replaced a water treatment plant, wastewater treatment plant, and wastewater collection system.

The statute provides TAGs for LGUs to study problems to address violations or potential violations (wastewater only) [G.S. 159G-33(a)(3), 159G-34(a)(3)].

Due to the nature of the TAGs, the priority points system does not consider project type.

Regarding financial situation, poverty level and the percent of the utility bill related to median household income (MHI) factored into the amount of points received.

Another financial parameter included in the priority points system is the percentage of the MHI encompassed by the utility bill.



While the Division uses this parameter to determine HUC status, it also awards points based on it. Generally, the Division considers the utility bill as a percentage of

MHI above two percent to be high. Over half of the LGUs receiving either a HUC grant or TAG were had utility bills as a percentage of MHI above two percent with two of the LGUs above four percent.

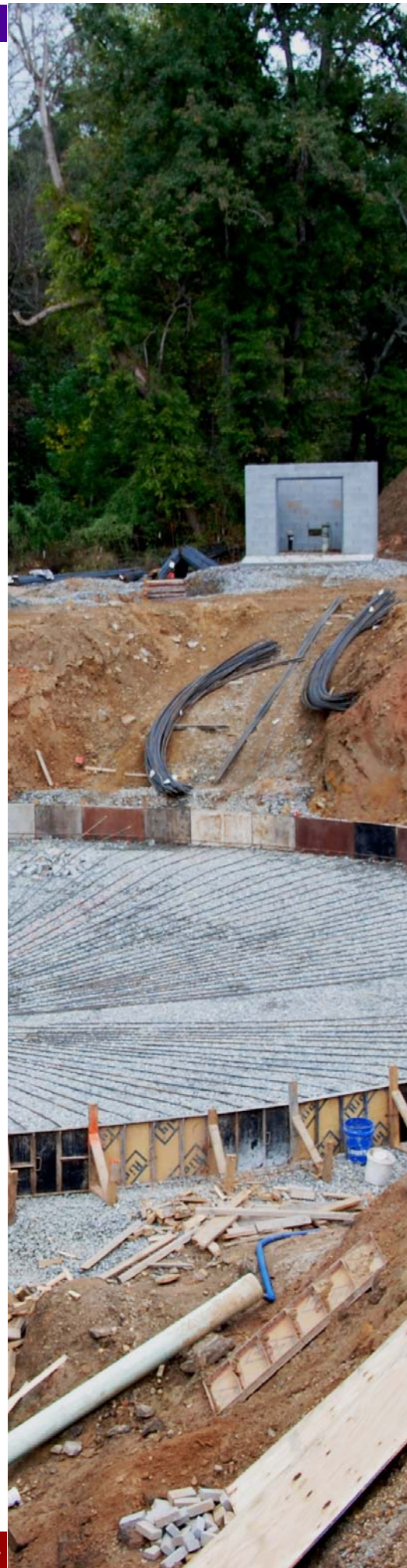
## Financial Health

During Fiscal Year 2013-2014, the Division completed binding commitments related to the wastewater reserve general loan account for four wastewater infrastructure projects under the SRL program for a total of \$8,448,877. In addition, two LGUs received binding commitments for Emergency Loans. These Emergency Loans totaled \$744,969.

Additionally, the Division issued WW-HUC grants to two LGUs for a total of \$1,377,600 and eight WW-TAGs for a total of

\$365,400. The Division also issued one DW-HUC grant for \$1,589,550 and four DW-TAGs for a total of \$165,500.

Ongoing project costs continued to be reimbursed from the general loan, High Unit Cost Grant, and Technical Assistance Grants, and emergency loan accounts. Appendix B contains the financial status of the SWWR and SDWR projects.





## **Appendix A – Active Projects within the State Water Infrastructure Reserve Programs**





| Owner Name  | Project Name   | Project Type <sup>a</sup>                      | Basin            | Funding Source <sup>b</sup> | Requested Funding Amount |
|---|--|--|------------------|-----------------------------|--------------------------|
| Tuckaseegee Water & Sewer District  | Valhalla Apartments Water Consolidation                                | N/A  | Little Tennessee | DW-TAG                      | \$25,000                 |
| Onslow Water and Sewer Authority  | North Topsail Beach High Rise Bridge Waterline and Supports Evaluation | N/A  | White Oak        | DW-TAG                      | \$50,000                 |
| Martin County   | Water System Improvements  | N/A  | Roanoke          | DW-TAG                      | \$40,500                 |
| Elkin, Town of  | Raw Water Line Emergency Replacement Analysis                          | N/A  | Yadkin           | DW-TAG                      | \$50,000                 |
| Fontana Dam, Town of  | Replacement of Water Treatment Plant                                   | WTP Rehabilitation & Replacement               | Little Tennessee | DW-HUC                      | \$1,589,550              |
| Williamston, Town of  | SSES Phase II  | N/A  | Roanoke          | WW-TAG                      | \$40,400                 |
| Garland, Town of  | WWTP Study   | N/A  | Cape Fear        | WW-TAG                      | \$50,000                 |
| Morganton, City of  | Bethel Basin Sewer Investigation                                       | N/A  | Catawba          | WW-TAG                      | \$50,000                 |
| Bay River Metropolitan Sewer District   | Engineer Study Replacment of Failed WWTP                               | N/A  | Neuse            | WW-TAG                      | \$50,000                 |
| Washington, City of   | Sanitary Sewer Evaluation Survey                                       | N/A  | Tar-Pamlico      | WW-TAG                      | \$35,000                 |
| Lumberton, City of  | Northwest Sewer System Evaluation                                      | N/A  | Lumber           | WW-TAG                      | \$50,000                 |
| Andrews, Town of  | WWTP Quality Study   | N/A  | Hiwassee         | WW-TAG                      | \$40,000                 |
| Eden, City of   | Kuder Street and Dry Creek Basins                                      | N/A  | Roanoke          | WW-TAG                      | \$50,000                 |
| Robbinsville, Town of   | Sludge Dewatering Facility   | WWTP Equipment Repair & Re                     | Little Tennessee | WW-HUC                      | \$800,000                |
| Franklinton, Town of  | Wastewater System Rehabilitation                                       | Collection System Rehabilitation & Replacement | Tar-Pamlico      | WW-HUC                      | \$577,600                |
| Lumberton, City of  | Britts Farm Interceptor Rehabilitation                                 | Collection System Rehabilitation & Replacement | Lumber           | SEL                         | \$503,676                |
| Thomasville, City of  | East Davidson Pump Station Expansion                                   | Collection System Expansion                    | Yadkin           | SEL                         | \$241,293                |
| Brevard, City of  | Kings Creek Phase II   | Collection System Rehabilitation & Replacement | French Broad     | SEL                         | \$1,435,784              |
| Johnston County   | Buffalo Road Emergency Force Main Replacement                          | Collection System Rehabilitation & Replacement | Neuse            | SEL                         | \$475,000                |
| Moore County  | NC 211 & 15/501 Interceptor Rehabilitation                             | Collection System Rehabilitation & Replacement | Lumber           | SEL                         | \$1,224,391              |
| Gastonia, City of   | Phase II South Fork Sewer Interconnect                                 | Collection System Expansion                    | Catawba          | SRL                         | \$1,566,938              |
| Conover, City of  | Southwest Conover Rehabilitation                                       | Collection System Rehabilitation & Replacement | Catawba          | SRL                         | \$1,566,938              |
| Norwood, Town of  | Sanitary Sewer Improvements  | Collection System Rehabilitation & Replacement | Yadkin           | SRL                         | \$1,656,374              |
| Conway, Town of   | Sanitary Sewer Pump Station Rehabilitation                             | Collection System Rehabilitation & Replacement | Chowan           | SRL                         | \$754,996                |
| Oakboro, Town of  | Sanitary Sewer Improvements  | Collection System Rehabilitation & Replacement | Yadkin           | SRL                         | \$2,019,292              |
| Stanley, Town of  | Stanley Sewer Interconnect   | Collection System Expansion                    | Catawba          | SRL                         | \$3,000,000              |
| Green Level, Town of  | Basil Holt Pump Station Replacement                                    | Collection System Rehabilitation & Replacement | Cape Fear        | SRL                         | \$1,681,188              |
| Columbus, Town of   | Wastewater System Improvements   | Collection System Rehabilitation & Replacement | Broad            | SRL                         | \$3,000,000              |
| <sup>a</sup> N/A applies to technical assistance grants, as project types were not required for prioritization.   |  |  |                  |                             |                          |
| <sup>b</sup> DW-TAG=Drinking Water Technical Assistance Grant, DW-HUC=Drinking Water High Unit Cost Grant, WW-TAG=Wastewater Technical Assistance Grant, WW-HUC=Wastewater High Unit Cost Grant, SEL=State Emergency Loan, SRL=State Revolving Loan |  |  |                  |                             |                          |
|   |  |  |                  |                             |                          |



## **Appendix B – Financial Information Related to the State Water Infrastructure Reserve Programs**





Disbursements July 1, 2013 - June 30, 2014 Clean Water Program - State Projects

| Project # | Recipient                            | B- Code | GL Acct | Account Description               | Date       | GL Center   | Amount                  |
|-----------|--------------------------------------|---------|---------|-----------------------------------|------------|-------------|-------------------------|
| 100306    | PRJ100306 JUNALUSKA SANITARY DISTRIC | 64304   | 536704  | E-SRL-C-2010-00000083-6210-536704 | 11/26/2013 | 6210        | (\$35,750.00)           |
| 100559    | PRJ100559 TOWN OF OAKBORO            | 64304   | 536704  | E-SRL-T-2011-00000085-6210-536704 | 07/16/2013 | 6210        | (\$286,976.00)          |
| 100559    | PRJ100559 TOWN OF OAKBORO            | 64304   | 536704  | E-SRL-T-2011-00000085-6210-536704 | 11/05/2013 | 6210        | (\$69,058.00)           |
| 100559    | PRJ100559 TOWN OF OAKBORO            | 64304   | 536704  | E-SRL-T-2011-00000085-6210-536704 | 01/07/2014 | 6210        | (\$44,269.00)           |
| 100559    | PRJ100559 TOWN OF OAKBORO            | 64304   | 536704  | E-SRL-T-2011-00000085-6210-536704 | 04/01/2014 | 6210        | (\$218,716.00)          |
| 100559    | PRJ100559 TOWN OF OAKBORO            | 64304   | 536704  | E-SRL-T-2011-00000085-6210-536704 | 05/27/2014 | 6210        | (\$256,743.00)          |
| 100663    | PRJ100663 TOWN OF NORWOOD            | 64304   | 536704  | E-SRL-T-2014-00000067-6210-536704 | 06/10/2014 | 6210        | (\$123,801.00)          |
| 100663    | PRJ100663 TOWN OF NORWOOD            | 64304   | 536704  | E-SRL-T-2014-00000067-6210-536704 | 06/25/2014 | 6210        | (\$102,178.00)          |
|           |                                      |         |         |                                   |            | <b>6210</b> | <b>(\$1,137,491.00)</b> |
| 100263    | PRJ100263 TOWN OF CLARKTON           | 64304   | 536704  | E-SRL-T-2009-00000078-6211-536704 | 07/16/2013 | 6211        | (\$39,316.00)           |
| 100463    | PRJ100463 TOWN OF STANTONSBURG       | 64304   | 536704  | E-SRL-T-2010-00000081-6211-536704 | 05/27/2014 | 6211        | (\$55,287.00)           |
| 100478    | PRJ100478 JOHNSTON COUNTY FINANCE    | 64304   | 536704  | E-SRL-T-2010-00000082-6211-536704 | 02/04/2014 | 6211        | (\$178,942.00)          |
| 100595    | PRJ100595 TOWN OF COLUMBUS           | 64304   | 536704  | E-SRL-T-2011-00000087-6211-536704 | 07/02/2013 | 6211        | (\$461,599.00)          |
| 100595    | PRJ100595 TOWN OF COLUMBUS           | 64304   | 536704  | E-SRL-T-2011-00000087-6211-536704 | 07/23/2013 | 6211        | (\$93,869.00)           |
| 100595    | PRJ100595 TOWN OF COLUMBUS           | 64304   | 536704  | E-SRL-T-2011-00000087-6211-536704 | 08/29/2013 | 6211        | (\$96,124.00)           |
| 100595    | PRJ100595 TOWN OF COLUMBUS           | 64304   | 536704  | E-SRL-T-2011-00000087-6211-536704 | 09/24/2013 | 6211        | (\$124,385.00)          |
| 100595    | PRJ100595 TOWN OF COLUMBUS           | 64304   | 536704  | E-SRL-T-2011-00000087-6211-536704 | 10/29/2013 | 6211        | (\$176,476.00)          |
| 100595    | PRJ100595 TOWN OF COLUMBUS           | 64304   | 536704  | E-SRL-T-2011-00000087-6211-536704 | 12/10/2013 | 6211        | (\$320,721.00)          |
| 100595    | PRJ100595 TOWN OF COLUMBUS           | 64304   | 536704  | E-SRL-T-2011-00000087-6211-536704 | 01/28/2014 | 6211        | (\$246,185.00)          |
| 100595    | PRJ100595 TOWN OF COLUMBUS           | 64304   | 536704  | E-SRL-T-2011-00000087-6211-536704 | 03/11/2014 | 6211        | (\$257,089.00)          |
| 100595    | PRJ100595 TOWN OF COLUMBUS           | 64304   | 536704  | E-SRL-T-2011-00000087-6211-536704 | 04/15/2014 | 6211        | (\$164,064.00)          |
| 100595    | PRJ100595 TOWN OF COLUMBUS           | 64304   | 536704  | E-SRL-T-2011-00000087-6211-536704 | 05/13/2014 | 6211        | (\$294,579.00)          |
| 100595    | PRJ100595 TOWN OF COLUMBUS           | 64304   | 536704  | E-SRL-T-2011-00000087-6211-536704 | 06/25/2014 | 6211        | (\$359,488.00)          |
| 100643    | PRJ100643 TOWN OF CONWAY             | 64304   | 536704  | E-SRL-T-2014-00000086-6211-536704 | 02/11/2014 | 6211        | (\$56,988.00)           |
| 100643    | PRJ100643 TOWN OF CONWAY             | 64304   | 536704  | E-SRL-T-2014-00000086-6211-536704 | 05/27/2014 | 6211        | (\$63,133.00)           |
| 100643    | PRJ100643 TOWN OF CONWAY             | 64304   | 536704  | E-SRL-T-2014-00000086-6211-536704 | 06/10/2014 | 6211        | (\$108,076.00)          |
|           |                                      |         |         |                                   |            | <b>6211</b> | <b>(\$3,096,321.00)</b> |
| 100528    | PRJ100528 JOHNSTON COUNTY FINANCE    | 64304   | 536704  | E-SEL-T-2012-00000042-6220-536704 | 12/10/2013 | 6220        | (\$29,129.00)           |
|           |                                      |         |         |                                   |            | <b>6220</b> | <b>(\$29,129.00)</b>    |
| 100608    | PRJ100608 TOWN OF BENSON             | 64304   | 536704  | E-SEL-T-2012-00000045-6221-536704 | 08/29/2013 | 6221        | (\$174,893.00)          |
| 100608    | PRJ100608 TOWN OF BENSON             | 64304   | 536704  | E-SEL-T-2012-00000045-6221-536704 | 01/28/2014 | 6221        | (\$169,890.00)          |
| 100608    | PRJ100608 TOWN OF BENSON             | 64304   | 536704  | E-SEL-T-2012-00000045-6221-536704 | 04/15/2014 | 6221        | (\$22,620.00)           |
| 100610    | PRJ100610 TOWN OF WINDSOR            | 64304   | 536704  | E-SEL-T-2012-00000047-6221-536704 | 09/24/2013 | 6221        | (\$51,658.00)           |
| 100610    | PRJ100610 TOWN OF WINDSOR            | 64304   | 536704  | E-SEL-T-2012-00000047-6221-536704 | 10/01/2013 | 6221        | (\$47,952.00)           |
| 100610    | PRJ100610 TOWN OF WINDSOR            | 64304   | 536704  | E-SEL-T-2012-00000047-6221-536704 | 10/29/2013 | 6221        | (\$50,637.00)           |
| 100610    | PRJ100610 TOWN OF WINDSOR            | 64304   | 536704  | E-SEL-T-2012-00000047-6221-536704 | 02/04/2014 | 6221        | (\$8,926.00)            |
|           |                                      |         |         |                                   |            | <b>6221</b> | <b>(\$526,576.00)</b>   |

Disbursements July 1, 2013 - June 30, 2014 Clean Water Program - State Projects

| Project # | Recipient                              | B- Code | GL Acct | Account Description                           | Date       | GL Center   | Amount                |
|-----------|--|---------|---------|---|------------|-------------|-----------------------|
| 100313    | PRJ100313 TOWN OF FRANKLINTON          | 64304   | 536919  | E-TAG-P-2011-00000006-6231-536919             | 07/23/2013 | 6231        | (\$2,500.00)          |
|           |  |         |         |   |            | <b>6231</b> | <b>(\$2,500.00)</b>   |
| 100481    | PRJ100481 CITY OF HIGH SHOALS          | 64318   | 536919  | E-SRG-T-2001-00000112-6251-536919             | 07/02/2013 | 6251        | (\$29,700.00)         |
|           |  |         |         |   |            | <b>6251</b> | <b>(\$29,700.00)</b>  |
| 1384      | PRJ1384 CATAWBA COUNTY                 | 64318   | 536919  | E - SRG - T - 02 - 0139 - 6252 - 6919-6252-53 | 11/05/2013 | 6252        | (\$81,687.00)         |
| 100486    | PRJ100486 YANCEY COUNTY FINANCE OFFICE | 64318   | 536919  | E-SRG-T-2005-00000141-6252-536919             | 07/02/2013 | 6252        | (\$66,362.00)         |
| 100486    | PRJ100486 YANCEY COUNTY FINANCE OFFICE | 64318   | 536919  | E-SRG-T-2005-00000141-6252-536919             | 07/29/2013 | 6252        | (\$62,308.00)         |
| 100486    | PRJ100486 YANCEY COUNTY FINANCE OFFICE | 64318   | 536919  | E-SRG-T-2005-00000141-6252-536919             | 11/05/2013 | 6252        | (\$69,070.00)         |
| 100486    | PRJ100486 YANCEY COUNTY FINANCE OFFICE | 64318   | 536919  | E-SRG-T-2005-00000141-6252-536919             | 05/27/2014 | 6252        | (\$116,563.00)        |
|           |  |         |         |   |            | <b>6252</b> | <b>(\$395,990.00)</b> |