North Carolina
CLEAN WATER STATE REVOLVING FUND
INTENDED USE PLAN
Fiscal Year 2011
Federal Capitalization Grant Appropriations

A. Introduction

This Intended Use Plan (IUP) serves to explain how the 2011 Federal capitalization grant appropriations for the Clean Water State Revolving Fund (CWSRF) will be used. It outlines the activities associated with the appropriation of $26,650,000 and the projected state match of $5,330,000 for 2011. The IUP identifies anticipated projects scheduled for loan commitments from the CWSRF. It also explains how the CWSRF will utilize a priority rating system to identify those projects with the greatest need and/or positive environmental impact on the water resources in North Carolina.

B. Overall, Short-Term, and Long-Term Goals

Pursuant to the Federal Water Pollution Control Act Amendments of 1987 (a.k.a. Clean Water Act), the State must identify the goals and objectives of its water pollution control revolving fund (i.e., the CWSRF). The State has the following goals for its CWSRF program:

Overall CWSRF Program Goal

Provide funding for traditional wastewater infrastructure and begin funding other eligible projects that improve water quality, while advancing the Division of Water Quality's mission to protect and enhance North Carolina's surface waters and groundwater resources for the citizens of North Carolina and future generations.

Short-Term Goals

Goal #1: Continue implementation of the integrated priority rating system and a system of deadlines to effectively manage the pace of the program.

Long -Term Goals

Goal #1: Provide effective project management to improve the pace of the revolving fund.

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

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

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

C. Information on Activities to be Supported

North Carolina's program will continue to be one of low-interest loans, supplemented with principal forgiveness of not less than $2,469,546 and not more than approximately $8,000,000, along with a green project reserve of not less than $5,330,000, both from the 2011 Federal capitalization grant appropriation. The State intends to access 4 percent of the capitalization grant for the administrative costs associated with running the program. These costs include application review, engineering report and environmental document review, loan processing, construction inspection and post-construction inspections for funded projects.

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

PROJECTION OF FUNDS AVAILABLE AS A RESULT OF THE 2011 FEDERAL CAPITALIZATION GRANT

CWSRF Funds Available (cash) as of 6-30-11	$251,253,211
Previous Capitalization Grants Available	$47,189,480
Closed Construction Loans in Disbursement Phase	<$257,328,043>
Funds for Projects Currently Under Review[1]	<$107,002,570>
CWRF Availability as of 6-30-11	<$65,887,922>
Accrued Interest through June 2012	$1,007,922
Repayments through June 2012	$59,300,000
2011 EPA Capitalization Grant	$26,650,000
2011 State Match (Anticipated)	$5,330,000
Projected CWSRF Funds Available 7-1-11[2]	$26,400,000

1 – Represents all projects that have been allocated funding and are on schedule to receive loan offers.

2 – Does not consider future capitalization grants or repayments after June 2012.

D. Criteria and Methods for Distributing Funds

1. Project List and Prioritization

To be eligible for CWSRF funding a project or project applicant must be included on the State Project List. The State Project List may be supplemented or replaced based on applications received as a part of future funding cycles (see D.2, below).

The State's priority rating criteria for categorizing and ranking projects for construction loans from the F.Y. 11 allocations and recycled funds will be based on the Integrated Priority Rating System. The four major groupings of points are as follows:

1. Project Type
2. Environmental Benefits
3. System Management
4. Financial Situation

2. Application and Project Deadlines

The CWSRF program operates on a priority basis and accepts funding applications semi-annually. Projects are allocated funding in priority order (as noted above) until available funds are exhausted and within special reserve requirements (e.g., Green Project Reserve, Principal Forgiveness Reserve, etc. as described herein). Funding availability is determined based on the 2011 capitalization grant and projected recycled funds. Results will be posted on the program's web site. For the last two funding cycles, funding has averaged approximately $60,000,000 per round. This general funding level is expected to continue for the next two funding rounds. Project funding is contingent on adherence to the schedule below (**times listed are measured from initial application deadline)**:

- Funding application and supporting information must be submitted to be considered for funding in the current cycle.
- Within one month the CWSRF program will issue letters of intent to award funding based on the projects' ratings and the amount of funds being made available in the cycle.
- Within four months a complete Engineering Report must be submitted to the CWSRF program.
- Within nine months the Engineering Report must be approved.
- Within 15 months complete plans and specifications and permit applications and/or a request for an Authorization to Construct must be submitted with copies *of* all other required construction permits, encroachments, etc., or evidence that applications for remaining required permits have been submitted to the respective permitting agency.
- Within 18 months the plans/specifications and all required permits must be approved/issued.
- Within 21 months the following events/items must be completed/received:
    - The project must be advertised for bids
    - Bids must be received
    - Bid information must be submitted to the CWSRF staff
    - The CWSRF program's Authority to Award construction contracts must be obtained.

- Within 22 months of application construction contracts must be executed.

Notes:

1. **The milestones in the timeline above are absolute for all projects in a particular cycle and will not be extended. Projects may be able to meet these milestones ahead of schedule. However, in the event that any milestone noted above is not met work by the CWSRF staff will be suspended and all documents returned to the owner until the proposed project is resubmitted for consideration during a future cycle.**

2. **If an applicant desires CWSRF funding and the applicant's project requires an Environmental Impact Statement (EIS), Construction Grants and Loans staff will manage the environmental review process. However, a funding application for the project will not be accepted in any funding cycle until a draft EIS has been sent to the State Clearinghouse (SCH). In the event that a fundable project is in process and then requires an EIS the milestone deadlines for the project will be suspended until a draft EIS has been sent to the SCH. After the draft EIS goes to the SCH the project must adhere to the same time frames specified above.**

3. Detailed Loan and Project Funding Criteria

- **General:**
  - To be eligible for CWSRF funding a project must be on the State Project List.
  - Funding can be provided for traditional wastewater projects, green projects, stormwater projects that improve water quality, 319 projects, and 320 projects.
  - Funding will be provided in priority order based on project score and the amount of funds made available in a particular cycle.
  - Maximum CWSRF loan amount: $25,000,000 per project, per applicant.
  - Maximum CWSRF loan availability per applicant: Not more than $50,000,000 in outstanding debt to the CWSRF program.

- **Principal Forgiveness:**
  - Not less than $2,469,546 and not more than approximately $6,000,000 of the 2011 Federal capitalization grant will be provided in the form of principal forgiveness.
  - A financial indicator in the priority point system will be used to determine those applications that will be ranked and be eligible for principal forgiveness. This indicator consists of a combined point total of 6 or more points for items 22 and 23 on the priority rating sheet.
  - Principal forgiveness will be limited to those systems with a current customer base of less than 10,000.
  - Principal forgiveness will be 50% of the loan amount up to a maximum of $1,000,000.

- The prevailing CWSRF interest rate will be applied to the portion of the loan that is not forgiven.
- Principal forgiveness will not be available for green projects.

- **Green Projects (See Appendix D For Definitions and Information):**
  - Not less than $5,330,000 of the 2011 Federal capitalization grant appropriation will be provided for green projects.
  - Green projects funded through the 2011 green project reserve will receive 0% interest loans for up to $2,000,000 of project costs, unless insufficient applications are received.
  - Eligible green project costs that exceed $2,000,000 will be loaned at the prevailing CWSRF interest rate.
  - Principal forgiveness is not available for green projects.

- **Miscellaneous Criteria/Provisions:**
  - Davis-Bacon prevailing wage rates apply to all loans as required by Federal mandates.
  - The CWSRF loan interest rate is set each year on March 31st.
  - The CWSRF loan interest rate is based on ½ the Bond Buyers 20 Index.
  - Approval of a CWSRF loan is contingent on approval by the Local Government Commission (LGC).
  - CWSRF loan terms are set by the LGC.
  - The maximum CWSRF loan term is 20 years.
  - A 2% closing fee is required.
  - The closing fee cannot be financed by the CWSRF fund.
  - Loan repayments are due in May (principal and interest) and November (interest only) of each year.
  - Interest begins accruing on date of completion in the Notice to Proceed.
  - The first loan repayment is due no sooner than six months after the completion date as established in the construction contract.

E. <u>Assurances and Specific Proposals</u>

Pursuant to Section 606(c) (4) of the Clean Water Act, the State of North Carolina certifies that:

1. The State will enter into binding commitments for 120 percent of the amount of each payment received under the capitalization grant within one year after receipt of each payment.
2. The State will expend all funds in the CWSRF in a timely and expeditious manner.
3. The state will conduct environmental reviews of treatment works projects according to procedures set forth in its Operating Agreement.

F. Public Review and Comment

On July 27, 2011, the IUP, State's Project List, and Integrated Priority Rating System was published on the program's web site and direct solicitation was made seeking comments on the documents. A summary of comments is included as part of the 2011 Capitalization Grant application package.

G. Budget and Project Periods

As noted on the SF 424, the budget and project periods being requested for the 2011 capitalization grant is July 1, 2011 through June 30, 2014.

H. Lists and Tables

This Intended Use Plan contains various lists and tables including a payment schedule, the projected schedule of draw-downs, and a CWSRF Project List located in the appendices to this document.

Appendices

A. F.Y. 2011 Project Lists

B. F.Y. 2011 Payment Schedule

C. Projected Schedule of Draw-downs

D. Green Project Guidance

Appendix A

Intended Use Plan Project List

(columns with "*" are required by 40 CFR 35.3150(b))

Applicant Name*	Project Name	County	CWSRF Loan Request	Green Project Reserve*	Principal Forgiveness*	CWSRF - Base*	Project Cost
Morganton, City of	WPCF Improvements	Burke	$10,535,700			$10,535,700	$10,535,700
Rhodhiss, Town of	Interconnection & Rehabilitation	Burke	$700,000			$700,000	$1,314,000
Eden, City of	Collection System Improvements	Rockingham	$2,154,934		$1,000,000	$1,154,934	$2,897,117
Wingate, Town of	Gravity Wastewater Collection System	Union	$1,973,350		$986,675	$986,675	$1,973,350
Raleigh, City of	Longview Street Stormwater	Wake	$2,000,000	$2,000,000			$3,252,250
Rocky Mount, City of	Compass Creek Outfall	Nash	$1,130,500			$1,130,500	$1,247,000
Rocky Mount, City of	Leggett Park Sewer Improvements	Nash/Edgecombe	$379,549			$379,549	$432,549
South Granville Water & Sewer Authority	South Granville WWTP Improvements	Granville	$22,018,839			$22,018,839	$24,767,839
Taylorsville, Town of	Collection System Improvements	Alexander	$689,464		$344,732	$344,732	$703,264
Eden, City of	Kuder St Subsystem (East Basin) Sewer Rehab	Rockingham	$2,545,342		$1,000,000	$1,545,342	$2,545,342
Jacksonville, City of	Wilson Bay Stormwater	Onslow	$850,910	$850,910			$860,910
Jacksonville, City of	Bryn Marr Stormwater	Onslow	$373,000	$373,000			$388,000
Jacksonville, City of	Country Club / Sandy Run Stormwater	Onslow	$233,300	$233,300			$243,000
Bunn, Town of	Sanitary Sewer Rehabilitation	Franklin	$486,280		$243,140	$243,140	$486,280
Henderson, City of	Sewer Rehabilitation	Vance	$1,000,000		$500,000	$500,000	$1,000,000
Blowing Rock, Town of	WWTP Improvements	Watauga & Caldwell	$600,000			$600,000	$612,000
Belhaven, Town of	Force Main Bypass & Sanitary Sewer Rehab	Beaufort	$1,661,985		$830,993	$830,993	$2,661,985
Raleigh, City of	Centennial Reuse Pipeline	Wake	$5,540,500	$2,000,000		$3,540,500	$5,540,500
Brevard, City of	Kings Creek Sewer Rehabilitation & Repair	Transylvania	$749,375			$749,375	$749,375
Johnston, County of	Reclaimed Water System	Johnston	$300,000	$300,000			$1,540,000
Henderson, City of	Nutbush Creek Water Reclamation Improvements	Vance	$16,615,000		$1,000,000	$15,615,000	$16,947,300
Warrenton, Town of	Sewer Rehabilitation	Warren	$500,000		$250,000	$250,000	$500,000
Robbinsville, Town of	Tallulah & Atoah Street Sewer Rehab	Graham	$310,000		$155,000	$155,000	$316,200
Lake Waccamaw, Town of	Phase 4 Sewer Improvements	Columbus	$999,562		$499,781	$499,781	$1,009,558

Applicant Name*	Project Name	County	CWSRF Loan Request	Green Project Reserve*	Principal Forgiveness*	CWSRF - Base*	Project Cost
Wallace, Town of	Sanitary Sewer Rehabilitation	Duplin	$250,000		$125,000	$125,000	$250,000
Red Springs, Town of	Wastewater Collection System Rehabilitation	Robeson	$589,494		$294,747	$294,747	$589,494
Oakboro, Town of	Sewer Rehabilitation	Stanly	$2,019,292			$2,019,292	$2,104,292
Laurinburg-Maxton Airport Comm.	Sewer Rehabilitation	Scotland	$1,216,455			$1,216,455	$1,216,455
Rocky Mount, City of	Lafayette Pump Station Removal	Nash/Edgecombe	$1,030,500			$1,030,500	$1,053,000
Lumberton, City of	Tanglewood Area Sewer Rehabilitation	Robeson	$1,881,759		$940,880	$940,880	$2,090,835
Burnsville, Town of	I&I Remediation Projects	Yancey	$1,585,060		$792,530	$792,530	$1,616,761
Pitt, County of	Chicod School Pump Station & Force Main	Pitt	$1,428,249			$1,428,249	$1,928,249
Forest City, Town of	Central Business District Sewer Reduction	Rutherford	$902,700		$451,350	$451,350	$920,754
Taylorsville, Town of	Millersville Community Sewer Improvements	Alexander	$1,972,821		$986,411	$986,411	$2,022,821
Elizabethtown, Town of	WWTP Rehabilitation	Bladen	$2,195,000			$2,195,000	$2,195,000
Elizabethtown, Town of	WWTP Rehabilitation	Bladen	$2,392,328			$2,392,328	$2,392,000
Washington, City of	Main and Respass Pump Station	Beaufort	$612,000			$612,000	$612,000
Troy, Town of	Reuse System	Montgomery	$441,000	$441,000			$511,000
Public Works Commission-Fayetteville	Edgewater/Northview Stream Restoration	Cumberland	$1,020,986			$1,020,986	$1,020,986
Burke, County of	Collection System Rehabilitation	Burke	$750,000			$750,000	$765,000
Columbus, Town of	Wastewater System Improvements	Polk	$2,750,000			$2,750,000	$2,750,000
Spring Lake, Town of	WWTP Rehabilitation	Cumberland	$1,700,000			$1,700,000	$1,700,000
Bryson City, Town of	WWTP Improvements	Swain	$576,232			$576,232	$587,757
Rocky Mount, City of	Oxygen Generation System	Nash	$2,340,000			$2,340,000	$3,040,000
Warren, County of	WWTP Rehabilitation	Warren	$867,500			$867,500	$867,500
Franklin, Town of	WWTP Improvements	Macon	$4,419,815			$4,419,815	$5,508,211
Louisburg, Town of	WRF Improvements	Franklin	$190,000			$190,000	$190,000
Randleman, City of	Wastewater System Rehab	Randolph	$678,316			$678,316	$691,882
Troy, Town of	WWTP Centrifuge	Montgomery	$300,000			$300,000	$300,000
Cape Fear Pub. Util. Authority	Burnt Mill Creek Sewer Rehab	New Hanover	$3,025,993			$3,025,993	$3,025,993
Public Works Commission-Fayetteville	Outfall Rehabilitation	Cumberland	$4,875,977			$4,875,977	$4,875,977
Forest City, Town of	Collection System Rehab	Rutherford	$814,350			$814,350	$814,350

Applicant Name*	Project Name	County	CWSRF Loan Request	Green Project Reserve*	Principal Forgiveness*	CWSRF - Base*	Project Cost
South Granville Water & Sewer Authority	Butner Sewer Rehabilitation	Granville	$975,248			$975,248	$975,248
Elm City, Town of	Town Creek WWTP Improvements	Wilson	$3,998,698			$3,998,698	$4,078,672
Lumberton, City of	Phase 3 Sewer Separation & Rehabilitation	Robeson	$2,000,000				$2,000,000
Grifton, Town of	Sanitary Sewer Rehabilitation	Pitt/Lenoir	$1,176,982				$1,676,982
Biscoe, Town of	WWTP Repair & Upgrade	Montgomery	$936,360				$936,360
Forest City, Town of	Collection System Rehab	Rutherford	$814,350				$814,350
Hillsborough, Town of	Elizabeth Brady Pump Station Replacements	Orange	$668,125				$668,125
Havelock, City of	WWTP Discharge Relocation	Craven	$11,659,000				$11,659,000
Cape Fear Pub. Util. Authority	30th Street Sewer Rehab	New Hanover	$1,750,000				$1,750,000
Cape Fear Pub. Util. Authority	McCumber's Ditch Sewer Rehabilitation	New Hanover	$1,250,000				$1,250,000
Edgecombe W&S Dist. #4	Collection System	Edgecombe	$1,020,000				$5,079,980
Forest City, Town of	Aeration System Upgrade	Rutherford	$1,489,700				$1,489,700
Locust, City of	Sherwood Park & Kings Heights Sewer	Stanly	$941,870				$941,870
Kinston, City of	Queen St Sewer Rehabilitation	Lenoir	$350,000				$2,000,000
Hendersonville, City of	Wolfpen Sewer Interceptor	Henderson	$3,000,000				$3,000,000
Southport, City of	Sewer Rehabilitation and Replacement	Brunswick	$400,000				$400,000
Edgecombe W&S Dist. #5	Collection System	Edgecombe	$1,556,260				$2,181,260
Overhills Park Water & Sewer District	Wastewater System	Cumberland	$2,931,741				$3,115,166
Canton, Town of	Champion Drive Sewer Improvements	Haywood	$1,200,000				$1,224,000
Cape Fear Pub. Util. Authority	Greenfield Lake Sewer Outfall Rehabilitation	New Hanover	$2,250,000				$2,250,000
Powellsville, Town of	Highway 42 Sewer Extension	Bertie	$1,500,420				$1,500,420
Creedmoor, City of	WW System Improvements	Granville	$4,000,000				$19,110,000
Landis, Town of	Sewer Interconnection	Rowan	$1,461,000				$1,461,000
Contentnea Metropolitan Sewerage Dist	WW System Improvements	Pitt	$5,000,000				$14,502,362
Bunn, Town of	Sanitary Sewer Extension	Franklin	$655,200				$655,200
Contentnea Metropolitan Sewerage Dist	WW System Improvements	Pitt	$5,000,000				$14,502,362
Public Works Commission-Fayetteville	Darnell Street Sewer Upgrades	Cumberland	$1,658,004				$1,658,004
Public Works Commission-Fayetteville	Force Main Across Cape Fear River	Cumberland	$1,466,138				$1,466,138

Applicant Name*	Project Name	County	CWSRF Loan Request	Green Project Reserve*	Principal Forgiveness*	CWSRF - Base*	Project Cost
Public Works Commission-Fayetteville	North Fayetteville Lift Station Upgrade	Cumberland	$12,979,964				$12,979,964
Hertford, County of	Tunis Sewer System	Hertford	$1,597,520				$2,097,520
Hendersonville, City of	Jackson Park Sewer Interceptor	Henderson	$4,000,000				$4,000,000
Hoke, County of	Regional WWTP & Collection System	Hoke	$17,804,203				$20,994,287
Moore County	Lift Station 3-4 Replacement	Moore	$1,000,000				$1,000,000
Marion, City of	Wastewater Collection System Improvements	McDowell	$590,900				$602,718
Currituck, County of	Moyock WWTP Expansion	Currituck	$0				$3,889,466
Cape Fear Pub. Util. Authority	Marquis Hills Sewer Expansion	New Hanover	$10,161,500				$10,161,500
Mitchell, County of	Sewer Extension	Mitchell	$1,398,628				$1,926,601
Thomasville, City of	Sewer Upgrades	Davidson	$5,783,346				$5,783,346
				$6,198,210	$10,401,238	$105,547,916	$293,945,437

Appendix B

FY 2011 (Cap Grant) Proposed Payment Schedule

Payment Quarter	Payment Amount
July 1, 2011 - September 30, 2011	
October 1, 2011 - December 31, 2011	
January 1, 2012 - March 31, 2012	
April 1, 2012 - June 30, 2012	
July 1, 2012 - September 30, 2012	
October 1, 2012 - December 31, 2012	$2,000,000
January 1, 2013 - March 31, 2013	$2,000,000
April 1, 2013 - June 30, 2013	$6,000,000
July 1, 2013 - September 30, 2013	$7,000,000
October 1, 2013 - December 31, 2013	$4,000,000
January 1, 2014 - March 31, 2014	$4,000,000
April 1, 2014 - June 30, 2014	$1,650,000
Total	$26,650,000

Appendix C

Projected Schedule of Draw-downs for 2011 Capitalization Grant

Quarter	Outlay Projection	Federal Share	State Share
July 1, 2011 - September 30, 2011			
October 1, 2011 - December 31, 2011			
January 1, 2012 - March 31, 2012			
April 1, 2012 - June 30, 2012			
July 1, 2012 - September 30, 2012			
October 1, 2012 - December 31, 2012			
January 1, 2013 - March 31, 2013	$2,400,000	$2,000,000	$400,000
April 1, 2013 - June 30, 2013	$2,400,000	$2,000,000	$400,000
July 1, 2013 - September 30, 2013	$7,200,000	$6,000,000	$1,200,000
October 1, 2013 - December 31, 2013	$8,400,000	$7,000,000	$1,400,000
January 1, 2014 - March 31, 2014	$4,800,000	$4,000,000	$800,000
April 1, 2014 - June 30, 2014	$4,800,000	$4,000,000	$800,000
July 1, 2014 - September 30, 2014	$1,980,000	$1,650,000	$330,000
Totals	$31,980,000	$26,650,000	$5,330,000

Appendix D

Green Projects

The 2011 Capitalization Grant legislation (PL 112-10) requires a minimum of 20% of a State's capitalization grant to be allocated to "green" projects (i.e., green project reserve [GPR]). In North Carolina that amount is $5,330,000. The interest rate for green projects funded from the GPR will be 0%. Funding from the GPR will be limited to $2,000,000 per project at 0% interest; project costs above that amount will be funded under the routine CWSRF program subject to availability. The priority rating system gives priority to green projects that are:

- restoration of streams, wetlands, and estuaries;
- stormwater BMPs for existing sources of pollution;
- reclaimed water utilization; and
- energy efficiency projects at wastewater facilities.

Other green projects may be eligible under CWSRF. EPA provided general guidance on green projects for the American Recovery and Reinvestment Act in the Guidance Memo – Award of Capitalization Grants with Funds Appropriated by P.L. 111-5, the "American Recovery and Reinvestment Act of 2009" dated March 2, 2009. However, North Carolina will prioritize only those projects noted in the priority rating system. Green project awards will be based on priority rating points. If a green project is not funded from the GPR, it may still be CWSRF funded (based on priority rating compared to other non-green projects) at the prevailing CWSRF interest rate. All green projects must meet all CWSRF requirements and conditions. If insufficient green project applications are received, the project cost cap mentioned above may be waived to ensure use of the GPR.