North Carolina
CLEAN WATER STATE REVOLVING FUND
INTENDED USE PLAN
Fiscal Year 2012
Federal Capitalization Grant Appropriations

I. Introduction

This Intended Use Plan (IUP) serves to explain how the 2012 Federal capitalization grant appropriations for the Clean Water State Revolving Fund (CWSRF) will be used. The CWSRF program is administered by the Infrastructure Finance Section in the Division of Water Quality. It outlines the activities associated with the appropriation of $25,507,000 and the projected state match of $5,101,400 for 2012. 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.

II. 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). Programmatic goals should be viewed holistically. The State has the following goals for its CWSRF program:

A. Overall CWSRF Program Goal

Provide funding for clean water infrastructure 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.

B. Short-Term Goals

Goal #1: Continue efforts to streamline the funding process to ensure the funds are used in an expeditious and timely manner in accordance with Sec. 602(b)(4) of the Clean Water Act.

Goal #2: Increase efforts to inform local government units of the availability of funds, benefits of the CWSRF program, and funding process improvements.

C. 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.

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

Goal #5: Ensure the priority system reflects the Division of Water Quality's goals.

III. 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 $1,417,587 and not more than approximately $2,126,380 (i.e., 20% minimum and 30% maximum of the Federal appropriation over $1 billion for the CWSRF program allocated to NC), along with a green project reserve of not less than $2,550,700 (i.e., 10% of the capitalization grant), both from the 2012 Federal capitalization grant appropriation. The State intends to access four 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 2012 FEDERAL CAPITALIZATION GRANT

CWSRF Funds Currently Available as of 1-18-12	$244,340,092
Previous Capitalization Grants Available	$77,269,381
Closed Construction Loans in Disbursement Phase	($212,956,191)
Funds for Projects Currently Under Review[1]	($167,700,958)
CWSRF Availability as of 1-18-12	($59,047,676)
Estimated Accrued Interest through June 2012	$650,000
Estimated Repayments through June 2012	$57,500,000
2012 EPA Capitalization Grant	$25,507,000
2012 State Match (Anticipated)	$5,101,400
Projected CWSRF Funds Available 7-1-12[2]	$29,710,724

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.

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IV. Criteria and Methods for Distributing Funds

A. 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. 12 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

B. 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 2012 capitalization grant and projected recycled funds. Results will be posted on the program's web site. Project funding is contingent on adherence to the schedule below in accordance with § 159G-41 (**times listed are measured from initial application deadline)**:

1. Funding application and supporting information must be received by the application deadline to be considered for any given funding cycle.
2. 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.
3. Within four months a complete Engineering Report / Environmental Information Document must be submitted to the CWSRF program.
4. Within nine months the Engineering Report / Environmental Information Document must be approved.
5. 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.
6. Within 18 months the plans/specifications and all required permits must be approved/issued.

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7. Within 21 months the following events/items must be completed/received:
   a. The project must be advertised for bids
   b. Bids must be received
   c. Bid information must be submitted to the CWSRF staff
   d. The CWSRF program's Authority to Award construction contracts must be obtained.
8. 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), Infrastructure Finance Section 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.

C. Detailed Loan and Project Funding Criteria

1. General:
   a. To be eligible for CWSRF funding a project must be on the State Project List.
   b. Funding can be provided for all eligible projects as provided for in the Clean Water Act and NCGS 159G including wastewater treatment facilities, collection systems, stream restorations, stormwater BMPs, etc. that improve water quality.
   c. Funding will be provided in priority order based on project score and the amount of funds made available in a particular cycle with consideration of reserves detailed below. Projects cannot be substantively changed once funding is allocated.
   d. Maximum CWSRF loan amount: $50,000,000 per project, per applicant.
   e. Maximum CWSRF loan availability per applicant: Not more than $100,000,000 in outstanding debt to the CWSRF program.
   f. Notwithstanding the above limits in Items IV.C.1.d. and IV.C.1.e., if availability of funds exceeds project demand, these limits may be exceeded to ensure all available funds

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are utilized for any given round for projects on the priority list. Exceeding the maximum provided in Item IV.C.1.d. will be considered prior to Item IV.C.1.e.

g. For wastewater treatment facility and collection system rehabilitation projects, 0% interest is available for local government units that are less than 10,000 sewer connections and a combined point total of 6 or more points for items 22 and 23 on the priority rating sheet.

2. Principal Forgiveness:

a. Not less than approximately $1,400,000 and not more than approximately $2,100,000 based on the 2012 Federal capitalization grant will be provided in the form of principal forgiveness.

b. 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.

c. Principal forgiveness will be limited to those systems with a current sewer connection base of less than 10,000.

d. Principal forgiveness will be 50% of the loan amount up to a maximum of $1,000,000.

e. A 0% interest rate will be applied to the portion of the loan that is not forgiven.

f. Principal forgiveness will not be available for green projects.

3. Green Projects:

a. Not less than $2,540,000 based on the 2012 Federal capitalization grant appropriation will be provided for green projects provided there are sufficient applications to utilize this reserve. If sufficient applications are not received to utilize this reserve after two rounds of funding applications, funds may be utilized for non-green projects. Green projects funded through the 2012 green project reserve will receive 0% interest loans.

b. Notwithstanding the above paragraph, the State will offer 0% interest to green projects beyond the requirements of the 2012 capitalization grant. Additionally, projects previously allocated 0% interest limited to $2 million will be allowed to finance the entire project cost at 0% within the general criteria above.

c. Principal forgiveness is not available for green projects.

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4. Miscellaneous Criteria/Provisions:

   a. Davis-Bacon prevailing wage rates apply to all loans as required by Federal mandates.
   b. The CWSRF loan interest rate is set each year on March 31st.
   c. The CWSRF loan interest rate is based on ½ The Bond Buyer's 20-Bond Index.
   d. Approval of a CWSRF loan is contingent on approval by the Local Government Commission (LGC).
   e. CWSRF loan terms are set by the LGC.
   f. The maximum CWSRF loan term is 20 years.
   g. A 2% closing fee is required.
   h. The closing fee cannot be financed by the CWSRF fund.
   i. Loan repayments are due in May (principal and interest) and November (interest only) of each year.
   j. Interest begins accruing on date of completion in the Notice to Proceed.
   k. The first loan repayment is due no sooner than six months after the completion date as established in the Notice to Proceed.

V. Assurances and Specific Proposals

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 an expeditious and timely manner.
3. The state will conduct environmental reviews of treatment works projects according to procedures set forth in its Operating Agreement.

VI. Public Review and Comment

On March 28, 2012, 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 public meeting was conducted on April 10, 2012 as well. A summary of comments is included as part of the 2012 Capitalization Grant application package.

VII. Budget and Project Periods

As noted on the SF 424, the budget and project periods being requested for the 2012 capitalization grant is Oct 1, 2012 through Sept 30, 2015.

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VIII. 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.

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Appendices

A. 2011 Project List

B. Grant 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
Pine Knoll Shores, Town of	Pine Knoll Shores East End Drainage Project	Carteret	$362,100	$362,100			$362,100
Robersonville, Town of	Wastewater Collection System Rehabilitation	Martin	$1,143,780		$571,890	$571,890	$1,166,656
Windsor, Town of	WW Collect. Sys. Rehab. & WWTP Influent Pmp Sta Repl.	Martin	$1,096,790		$548,395	$548,395	$1,118,730
Lumberton, City of	Phase 3 Sewer Separation & West Lumberton Sewer Rehab	Robeson	$2,000,000		$1,000,000	$1,000,000	$2,524,000
Yadkin Valley Sewer Authority	Southwest Elkin Sewer Area Rehabilitation Project	Yadkin	$600,000		#	@	$612,000
Spindale, Town of	2012 Sanitary Sewer System Replacements	Rutherford	$1,000,016		$500,008	$500,008	$1,020,016
Cape Fear Public Utility	Between the Creeks PS28 Refurbishment Project	New Hanover	$390,000			$390,000	$390,000
Spring Lake, Town of	Lower Little River Interceptor Rehabilitation	Cumberland	$878,016		$439,008	$439,008	$1,779,032
Bunn, Town of	Town of Bunn WW Treatment Plant Upgrade	Franklin	$1,606,000		$803,000	$803,000	$2,106,000
Edgecombe W&S District #5	Hwy 33/Logsboro Rd WW Collection & Transport System	Edgecombe	$3,243,815			@	$3,323,991
Kinston, City of	Queen Street Sewer Rehabilitation	Lenoir	$350,000			$350,000	$400,000
Eden, City of	Tanyard Branch Outfall Rehabilitation	Rockingham	$3,615,190			@	$3,615,190
Edgecombe W&S District #4	WW Collection & Transport System to Town of Speed	Edgecombe	$1,000,000			@	$4,630,300
Cape Fear Pub. Util. Authority	30th Street Sewer Rehab	New Hanover	$1,750,000			$1,750,000	$1,750,000
Cape Fear Pub. Util. Authority	McCumber's Ditch Sewer Rehabilitation	New Hanover	$1,250,000			$1,250,000	$1,250,000
Locust, City of	Sherwood Park & Kings Heights Sewer	Stanly	$941,870			$941,870	$941,870
Hendersonville, City	Jackson Park Sewer Interceptor-Phase 2 Project	Henderson	$1,629,000			$1,629,000	$1,629,000
Southport, City of	Sewer Rehabilitation and Replacement	Brunswick	$400,000			@	$400,000
Bath, Town of	Wastewater Treatment & Disposal Upgrade	Beaufort	$806,360			$806,360	$2,192,252
Yadkin Valley Sewer Authority	Jonesville Phase 1 Collection System Improvements	Yadkin	$1,660,260		#	@	$1,693,360
Cape Fear Pub. Util. Authority	Greenfield Lake Sewer Outfall Rehabilitation	New Hanover	$2,250,000			$2,250,000	$2,250,000
Cape Fear Public Utility	Smith Creek 'Alandale' Pump Station Removal Proj.	New Hanover	$2,425,000			$2,425,000	$2,425,000
Newport, Town of	WWTP Expansion	Carteret	$6,330,460			$6,330,460	$6,330,460
Hendersonville, City	Wolfpen Sewer Interceptor Project	Henderson	$3,000,000			$3,000,000	$3,000,000
Thomasville, City of	North Hamby Creek Outfall Sanitary Sewer Rehab	Davidson	$2,709,099			$2,709,099	$3,500,057
Thomasville, City of	East Davidson Pump Station Rehabilitation	Davidson	$676,500			$676,500	$826,375

Applicant Name	Project Name	County	CWSRF Loan Request	Green Project Reserve	Principal Forgiveness	CWSRF - Base	Project Cost
Thomasville, City of	Northside Pump Station Rehabilitation	Davidson	$632,500			$632,500	$737,063
Marion, City of	Wastewater Collection System Improvements	McDowell	$590,900			$590,900	$602,718
Hendersonville, City	Jackson Park Sewer Interceptor-Phase 1 Project	Henderson	$2,317,000			$2,317,000	$2,317,000
Moore County	Lift Station 3-4 Replacement	Moore	$1,000,000			$1,000,000	$1,000,000
Currituck, County of	Moyock WWTP Expansion	Currituck	$3,889,466			$3,889,466	$3,889,466
Hendersonville, City	Shepherd Creek/Atkinson Elementary Sewer Impv	Henderson	$1,650,000			$1,650,000	$1,650,000
Statesville, City of	Third Creek WW Treatment Plant Expansion	Iredell	$23,373,357			$23,373,357	$23,840,824
South Granville Water & Sewer Authority	South Granville WWTP Improvements	Granville	$22,018,839			$22,018,839	$24,767,839
Eden, City of	Kuder St Subsystem (East Basin) Sewer Rehab	Rockingham	$2,545,342		$1,000,000	$1,545,342	$2,545,342
Henderson, City of	Nutbush Creek Water Reclamation Improvements	Vance	$16,615,000		$1,000,000	$15,615,000	$16,947,300
Lake Waccamaw, Town of	Phase 4 Sewer Improvements	Columbus	$999,562		$499,781	$499,781	$1,009,558
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
Lumberton, City of	Tanglewood Area Sewer Rehabilitation	Robeson	$1,881,759		$940,880	$940,880	$2,090,835
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	$2,392,328			$2,392,328	$2,392,000
Washington, City of	Main and Respass Pump Station	Beaufort	$612,000			$612,000	$612,000
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
Louisburg, Town of	WRF Improvements	Franklin	$190,000			$190,000	$190,000
Grifton, Town of	Sanitary Sewer Rehabilitation	Pitt/Lenoir	$1,176,982			@	$1,676,982
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
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
Biscoe, Town of	WWTP Repair & Upgrade	Montgomery	$936,360		#		$936,360
Hillsborough, Town of	Elizabeth Brady Pump Station Replacements	Orange	$668,125				$668,125
Forest City, Town of	Aeration System Upgrade	Rutherford	$1,489,700				$1,489,700
Overhills Park Water & Sewer District	Wastewater System	Cumberland	$2,931,741				$3,115,166

Applicant Name	Project Name	County	CWSRF Loan Request	Green Project Reserve	Principal Forgiveness	CWSRF - Base	Project Cost
Havelock, City of	WWTP Discharge Relocation	Craven	$11,659,000		#		$11,659,000
Canton, Town of	Champion Drive Sewer Improvements	Haywood	$1,200,000				$1,224,000
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
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
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
Hoke, County of	Regional WWTP & Collection System	Hoke	$17,804,203				$20,994,287
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
		Totals:	$228,179,429	$362,100	$9,160,469	$122,609,764	$269,871,324

- Requested principal forgiveness but did not meet requirements

@ - Declined CWSRF loan without principal forgiveness included

Appendix B

FY 2012 (Cap Grant) Proposed Payment Schedule

Payment Quarter	Payment Amount
July 1, 2012 - September 30, 2012	
October 1, 2012 - December 31, 2012	
January 1, 2013 - March 31, 2013	
April 1, 2013 - June 30, 2013	
July 1, 2013 - September 30, 2013	$4,000,000
October 1, 2013 - December 31, 2013	$4,000,000
January 1, 2014 - March 31, 2014	$4,000,000
April 1, 2014 - June 30, 2014	$4,000,000
July 1, 2014 - September 30, 2014	$4,000,000
October 1, 2014 - December 31, 2014	$2,000,000
January 1, 2015 - March 31, 2015	$2,000,000
April 1, 2015 - June 30, 2015	$1,507,000
Total	$25,507,000

Appendix C

Projected Schedule of Draw-downs for 2012 Capitalization Grant

Quarter	Outlay Projection	Federal Share	State Share
July 1, 2012 - September 30, 2012			
October 1, 2012 - December 31, 2012			
January 1, 2013 - March 31, 2013			
April 1, 2013 - June 30, 2013			
July 1, 2013 - September 30, 2013			
October 1, 2013 - December 31, 2013	$4,800,000	$4,000,000	$800,000
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	$4,800,000	$4,000,000	$800,000
October 1, 2014 - December 31, 2014	$4,800,000	$4,000,000	$800,000
January 1, 2015 - March 31, 2015	$2,400,000	$2,000,000	$400,000
April 1, 2015 - June 30, 2015	$2,400,000	$2,000,000	$400,000
July 1, 2015 - September 30, 2015	$1,808,400	$1,507,000	$301,400
Totals	$30,608,400	$25,507,000	$5,101,400

Appendix D

Green Projects

Green projects will be funded in accordance with Item IV.C.3. of the North Carolina Intended Use Plan. 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 and may be funded regardless of priority depending on fund availability. 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.