



North Carolina Department of Environment and Natural Resources
Division of Water Quality

Beverly Eaves Perdue
Governor

Coleen H. Sullins
Director

Dee Freeman
Secretary

MEMORANDUM

TO: Dan Blaisdell - Chief – Construction Grants & Loans Section

FROM: Belinda Henson – Regional Surface Water Protection Section Supervisor – Fayetteville
Belinda S. Henson
David May – Regional Aquifer Protection Section Supervisor – Washington
David May

SUBJECT: Hearing Officers Report
Draft 2009/2010 CWSRF Intended Use Plan

DATE: April 23, 2010

We served as Hearing Officers for the 2009/2010 Intended Use Plan addressing loans funded through the North Carolina Clean Water State Revolving Fund. The subject hearing was held March 31, 2010 in the Ground Floor Hearing Room of the Archdale Building in Raleigh, North Carolina. The public comment period was open through April 7, 2010.

Please find the attached documents for consideration:

- 1) Report of Proceedings At Public Hearing
- 2) The Draft 2009/2010 Intended Use Plan, Project List, and Integrated Priority Rating Sheet
- 3) Hearing Officers' Report with Recommendations
- 4) Evaluation of provided comments

Recommendations are to approve the 2009/2010 Intended Use Plan, Project Lists, and the Integrated Priority Rating System (with an amendment).

Please let us know if you have any questions or require additional information concerning this matter.

cc: Coleen Sullins, Director
Matt Mathews – Chief, SWPS
Ted Bush – Chief, APS

**STATE OF NORTH CAROLINA
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
DIVISION OF WATER QUALITY
CONSTRUCTION GRANTS AND LOANS SECTION**

**HEARING OFFICERS' REPORT
FOR THE 2009/2010 DRAFT INTENDED USE PLAN,
STATE PROJECT LIST, AND DRAFT PRIORITY RATING
SYSTEM FOR PROJECTS FUNDED THROUGH THE
CLEAN WATER STATE REVOLVING FUND**

APRIL 23, 2010

HEARING OFFICERS REPORT:
CONSTRUCTION GRANTS AND LOANS
DRAFT INTENDED USE PLAN (IUP), PROJECT LIST,
AND DRAFT INTEGRATED PRIORITY RATING SYSTEM

INTRODUCTION

On March 15, 2010, the North Carolina Division of Water Quality public noticed a hearing in an effort to obtain public comment for the draft 2009/2010 Intended Use Plan (IUP), State Project List and draft Integrated Priority Rating System for projects to be funded through the Clean Water State Revolving Fund (CWSRF) by the 2009 and 2010 EPA Capitalization grants and recycled funds. The hearing was held March 31, 2010 at 2:00 pm in the Ground Floor Hearing Room of the Archdale Building. Construction Grants and Loans Section (CG&L) of the Division of Water Quality solicited comments on the draft Intended Use Plan (IUP), State Project List and draft Integrated Priority Rating System.

HEARING

On March 31, 2010, the subject public hearing was held. Construction and Grants & Loans Section (CG&L) staff presented a summary of the draft Intended Use Plan (IUP), for the funding that has been made available to North Carolina through the 2009 and 2010 EPA capitalization grants. The following information was summarized during the hearing:

- The Intended Use Plan will be incorporated into North Carolina's 2009 and 2010 applicants to EPA, and it is required to receive \$12,281,148 and \$36,733,000 for the Clean Water State Revolving Fund Program. It is also required that a 20% State match is included in order to receive EPA grant.
- North Carolina's Clean Water State Revolving Fund Program will continue to be one of low interest loans, supplemented with principal forgiveness for not less than \$5,507,429 and not more than approximately \$10,000,000 from the 2010 Federal capitalization grant.
- The EPA appropriation allows a range of principal forgiveness in North Carolina from a minimum of \$5,507,429 to a maximum of \$18,358,095.
- In order to ensure that the Clean Water State Revolving Fund (CWSRF) continues with a long-term sustainability, and to provide a historic average capitalization grant for low interest loans, a maximum of \$10,000,000 in the form of principal forgiveness has been selected.
- The 2010 Federal capitalization grant appropriation also requires that to the extent there are sufficient eligible project applications, not less than 20% of the funds made available, or \$7,354,600, must be used to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities.

- The State's intention is to access 4 percent of both capitalization grants for the administrative costs that are associated with running the program.
- The State plans to move the Clean Water State Revolving Fund program from a readiness-to-proceed basis to a fully functional implemented priority rating system as well as a system of deadlines to effectively manage the pace of the program. The funding process will be provided in a priority order based on project scores and the amount of funds made available in a particular cycle.
- During calendar year 2010, the Clean Water State Revolving Fund program has all intentions to adhere to a new timeline for reviewing and approving funded projects. The new project timeline is noted in the Intended Use Plan-Page 3, Section D.
- The draft Intended Use Plan also includes changes in the maximum amounts for the Clean Water State Revolving Fund loan. The new maximums will be \$25,000,000 per project, per applicant and not more than \$50,000,000 in outstanding debt to the Clean Water State Revolving Fund.
- In order to be eligible for Clean Water State Revolving Fund Loan you first must be included on the State Project List.
- During the hearing the Construction Grants & Loans Section requested Letters of Intent To Apply for Clean Water SRF funding from all potential, eligible recipients. The Letters of Intent for funding will be accepted until the close of business on April 30, 2010.
- Sometime after this hearing, in advance of the first application deadline, application guidance and instructions will be available on Division of Water Quality web site and through a link on the CG& L web site.

SUMMARY OF ORAL AND WRITTEN COMMENTS

At the hearing held March 31, 2010, there were approximately 30 people in attendance, consisting of approximately 12 Division of Water Quality staff and approximately 18 people outside of the Division of Water Quality. A list of attendees at the hearing is maintained and available for review at the Construction Grants and Loans office. Of those in attendance, there were no registered speakers or oral comments provided.

Written comments were accepted through April 7, 2010 and were provided by six individuals and/or organizations, through the submittal of four separate documents. Five of the individuals and/or organizations providing written comments are characterized as interest groups (American Rivers, Conservation Trust for North Carolina, North Carolina Conservation Network, Southern Environmental Law Center, and White Oak – New River Keeper). One of the individuals and/or organizations providing written comments is characterized as a partnership representing the interest of local municipalities (Western Wake Partners). In total, 35 individual comments were made related to the design and/or structure of either the Draft North Carolina 2009 -2010 Clean Water State Revolving Fund Intended Use Plan or the Integrated Priority Rating System. Copies of submitted written comments are maintained and available at the Construction Grants and Loans Office.

Comments, in general, supported the use of the Integrated Priority Ranking System and Draft Intended Use Plan, along with the movement from a readiness to proceed system to a priority based system. No direct comments were provided in direct opposition or favor of any of the projects included in the Draft 2009 - 2010 Appropriation Intended Use Plan Project List. The majority of the comments were related to the Integrated Priority Rating system (30 of 35 comments / 86%). Merits of the ranking system were noted. However, areas were identified to provide either more or less weight to address the significance of either environmental, community, or operational needs for different projects.

The following list summarizes comments received regarding areas where the ranking system could possibly better account for: 1) projects that promote natural hydrology; 2) the significance of stormwater impacts on water quality; 3) consideration for water efficiency projects; 4) use of land preservation as a measure to protect water quality; 5) the significance of intended water usage for water drawn from water bodies; 6) whether reclaimed water projects should be considered green projects; 7) climate change issues; 8) the necessity for funds to be applied to projects that result in water quality improvements and not solely energy efficiency gains; and 9) the importance of ensuring projects are viable and sustainable in the long term without creating conditions where conflict may arise with compliance, facility management, or local needs and requirements.

The Draft Intended Use Plan comments in general fell into the following categories: 1) the desire to allow principle forgiveness for projects funded under the green reserve; 2) allow inclusion of projects considered limited in scope (“design-build” projects) where only conceptual plans may currently exist; and 3) provide a mechanism to ensure projects are designed based on comprehensive environmental benefits and the chosen alternative is the best one.

Provided comments demonstrate an understanding of the importance for environmental protection and the goal of achieving water quality improvements through long term sustainable projects. The benefits of green projects are also recognized. The Hearing Officers evaluated all comments and their findings are maintained and available at the Construction Grants and Loans office.

RECOMMENDATION

Intended Use Plan: Review and evaluation of written comments indicate support of the 2009 - 2010 Draft Intended Use Plan. The Hearing Officers’ recommendation is that the 2009 - 2010 Draft Intended Use Plan be approved and forwarded to the EPA for their acceptance and final approval.

2009 and 2010 Appropriation Intended Use Plan Project Lists: No comments were provided in favor of or in opposition to the 2009 and 2010 Appropriation Intended Use Plan Project Lists. As such, the Hearing Officers’ recommendation is to include all of the projects on the lists.

Integrated Priority Rating System: The Hearing Officers' find that the rating system provides for an equitable distribution of points in the different sections. However, the Hearing Officers' do recommend that Item 14 be amended to allow 2 points to be awarded for projects directly benefitting waters classified as WS-III or WS-IV that are also covered under an approved Source Water Protection Plan. Recommended language has been incorporated into the attached amended *Priority Rating Sheet for All Projects*. With the referenced amendment, the Hearing Officer's recommend that the Integrated Priority Rating System be approved and used to rank qualifying applications.

In summary, the Hearing Officers' find the Draft 2009 - 2010 Intended Use Plan to be clear and concise. The intent of the document, project and application qualifications, and fund management clarify how the Plan will be implemented. Likewise, the Integrated Priority Rating System allows projects to be effectively ranked in a manner that considers multiple relevant factors. Additionally, projects included on the 2009 and 2010 Appropriation Intended Use Plan Project Lists show the necessity of beneficial projects throughout North Carolina. As such, the approval of the above items is recommended.

Priority Rating Sheet for All Projects			
	<i>(Points are given for only one type of project per funding application)</i>	Points	Max Total Points
Line Item #	Project Type		30
	WASTEWATER TREATMENT AND COLLECTION SYSTEM PROJECTS		
1	WWTP - New construction or expansion projects	5	
1.1	The WWTP is a major facility in a Tier 3 county: 1. Does the applicant have a reclaimed water system that is actively distributing >100,000 gpd? YES NO (Circle One) 2. Will the project include reclaimed water that will use 100,000 gpd (must have commitment letters from users)? YES NO (Circle One) Subtract 2 points if answered “no” to both questions.	-2	
1.2	If answered “no” to both questions in Line Item 1.1 then: 1. Is the WWTP approved for reclaimed water distribution? YES NO 2. Will the project include meeting reclaimed water standards? YES NO Subtract 2 points if answered “no” to both questions.	-2	
2	WWTP REPLACEMENT/REHABILITATION that would not increase service area capacity	15	
2.1	Replacing WWTP infrastructure that is greater than 20 years old	5	
3	NEW SEWER LINE EXTENSION that primarily serves areas with failing septic tanks (must provide a letter from the Health Department), single-family residence discharges (NCG550000), or single-family residence spray / drip irrigation systems	20	
4	EXPANSION OF EXISTING SEWER LINES	5	
5	COLLECTION SYSTEM REPLACEMENT/REHABILITATION (pump station/force main/gravity sewer) that would not increase capacity	20	
5.1	Addresses infiltration/inflow (I/I) for a sewershed based on a SSES	3	
5.2	Addresses reported sanitary sewer overflows (SSOs)	2	
5.3	Replaces sewer infrastructure that is greater than 40 years old	5	
	GREEN PROJECTS		
6	STREAM RESTORATION project (includes wetlands)	15	
6.1	Stream restoration project that restores the natural hydrology of the watershed	10	
6.2	Stream restoration project that includes protection of riparian buffers beyond rule requirements	5	
7	STORMWATER project that addresses treating existing sources of pollution	15	
7.1	Stormwater project that includes infiltration BMPs as specified in the NC BMP stormwater manual or BMPs in series that achieve at least 35% nutrient reduction (both TN and TP) and 85% TSS reduction	10	
8	RECLAIMED WATER project where no reclaimed water system exists	15	
9	RECLAIMED WATER project where an existing reclaimed water system is being expanded	10	
10	ENERGY EFFICIENCY project at a WWTP or other wastewater infrastructure strictly to achieve a minimum 20% energy reduction	5	
	BONUS		

11	Project includes energy efficiency measures (20% reduction)	2	
		Subtotal for Project Type:	
			Max Total Points
Environmental Benefits			35
12	Implementation of a basinwide water quality plan recommendation or strategy	25	
13	Project directly benefits subwatersheds that are impaired as noted on the most recent version of the Integrated Report	10	
14	Project directly benefits waters classified as HQW, ORW, Tr, WS-I, WS-II, SA; or Project directly benefits waters classified as WS-III or WS-IV that are covered by an approved Source Water Protection Plan (points may not be combined; award higher applicable value; max of 5 total points)	5 2	
15	Correct documented violations of groundwater standards for a permitted system (e.g., nondischarge facility, subsurface system, etc.)	25	
		Subtotal for Environmental Benefit:	
			Max Total Points
System Management			20
16	Project directly addresses a SOC that is pending or being negotiated by including repair and rehabilitation as part of the expansion/construction project	5	
17	Project directly addresses an existing SOC by including repair and rehabilitation as part of the expansion/construction project	2	
18	Local government unit's (LGU) number of service connections are greater than 10,000 and the LGU has developed and is utilizing an Asset Management Plan	10	
19	Local government unit's (LGU) number of service connections are less than 10,000 and the LGU will implement an Asset Management Plan	10	
20	Operating Ratios are greater than or equal to 1	5	
21	Project will include regionalization of management of entire service area or applicant has already implemented regionalized management	5	
		Subtotal for System Management:	
		Max Points	Max Total Points
Financial Situation			15
22	Poverty rate (%) of the service area divided 5	6	
23	Combined monthly water and wastewater bill for residential customers (based on 5,000 gal) / (median household income / 12) x 200	6	
24	1500 / number of residential water and sewer customer accounts	3	
		Subtotal for Financial Situation:	
			Total

#	Commenter	Organization	Comment	Response/Position
1	Peter Raabe	American Rivers	Integrated Priority Rating System: Reduce Item 6.1 "Stream restoration project that restores the natural hydrology of the watershed" from 10 points to 7 points.	Maintain Section 6 as is.
2			Integrated Priority Rating System: Reduce Item 6.2 "Stream restoration project that includes protection of riparian buffers beyond rule requirements" from 5 points to 3 points.	Maintain Section 6 as is.
3			Integrated Priority Rating System: Create Item 6.3 to promote emphasis on headwater stream restoration or scale of project (large enough) to provide mechanism for restoration to be naturally sustainable for 5 points.	Maintain Section 6 as is. 6.1 appears to capture intent of recommended language.
4			Integrated Priority Rating System: Recommendation made to weight collection systems and stormwater projects equally. Increase Item 7 "Stormwater project that addresses treating existing sources of pollution" from 15 points to 20 points due to significance and extent of stormwater pollution and to allow equal weighting with collection systems. Address additional 5 points by creating Item 7.2 for projects that restore natural hydrology.	Maintain Section 7 as is. Benefits from collection system improvements may be more readily recognizable than those for stormwater (reduction in SSOs, flow reductions, increased compliance at receiving WWTP, etc are definable). Benefits from stormwater projects not as readily measurable and quantifiable as those for collections. Improvements to collection system should yield better performance at receiving WWTP, therefore magnifying the total benefit from the collection project. Although stormwater is a pollutant source, characteristics of wastewater and stormwater differ. Stormwater management projects are intended to address BMPs for nutrient removal and are engineered systems, focus of stormwater management isn't to restore hydrology. As such, support higher ranking for collections than stormwater based on cumulative benefits.
5			Integrated Priority Rating System: For Item 10 "Energy efficiency project at a WWTP or other wastewater infrastructure strictly to achieve a minimum 20% energy reduction," ensure energy efficiency projects also has some impact on improving water quality.	No action recommended. Indirect water quality benefits may be realized from energy efficiency projects. (new pumps could mean fewer spills, updated UV could result in improved WQ, redirection of savings to other system/facility improvements may provide water quality benefits, etc.).

6		Integrated Priority Rating System: Add new Item in Green Projects section to factor in water efficiency projects.	No action recommended. Water efficiency projects may be temporary vs permanent, not easily measurable/quantifiable, contradicts recommendation for item 10, which indicates direct WQ improvements should result from project, potential "double-dipping" conflict with water fund
7		Integrated Priority Rating System: Add new Item in Environmental Benefits for projects that aid a community's adaptation to climate change impacts.	No action recommended. Benefits are not measurable or observable.
8		Draft Intended Use Plan: Applications and Project Deadlines: create and add a project self evaluation checklist focusing on coordination of comprehensive environmental benefit and goal of achieving natural hydrology.	No action recommended. Design and application process should have a built in evaluation phase that may be "behind the scenes." Considered to be indirectly covered elsewhere such as in an Engineering Analysis or Report phase. Community should be responsible and be ensuring that plans meet the needs of the community.
9		Draft Intended Use Plan: Allow principle forgiveness for projects funded under the green reserve.	No action recommended. Principle forgiveness provides mechanism to assist disadvantaged communitites. Disadvanted communities do not frequently initiate green projects due to funding priorities. Green projects are more often driven by larger communities with more available resources to fund green projects without principal forgiveness
10	Reid Wilson Conservation Trust for NC	Integrated Priority Rating System: Provide incentives for land preservation to prevent degradation of water quality and to protect drinking water. Basis: loss of forsestry impacts water quality and % of forested land is already low.	No action recommended. Although a good goal, focus should remain on infastructure improvements. Acquisition of large tracts of land may be required to result in measurable improvements. Expense of land purchase may quickly erode funds. Benefits of land preservation may not be directly tangible as with infastructure improvements. Ratio of return may be greater with infastructure projects.
11		Integrated Priority Rating System: Item 6 Stream Restoration, add item to support land preservation for pollution prevention, in addition to restoration.	No action recommended. Although a good goal, focus should remain on infastructure improvements. Acquisition of large tracts of land may be required to result in measurable improvements. Expense of land purchase may quickly erode funds. Benefits of land preservation may not be directly tangible as with infastructure improvements. Ratio of return may be greater with infastructure projects.

12		Integrated Priority Rating System: Add item that awards points for projects within drinking water assessment areas with higher points given to areas of higher susceptibility.	Item 14 can capture intent of recommendation. Reword Item 14 to provide 2 points for projects benefitting waters classified WS-III or WS-IV that are covered under an approved Source Water Protection Plan. Points may not be combined for the two applicable options.
13		Integrated Priority Rating System: Add item to award bonus points to applicants that have NC DENR approved source water protection plan.	Item 14 can capture intent of recommendation. Reword Item 14 to provide 2 points for projects benefitting waters classified WS-III or WS-IV that are covered under an approved Source Water Protection Plan. Points may not be combined for the two applicable options.
14	Peter Raabe, Grady McCallie, Kay Boyd, Tess Sanders American Rivers, NC Conservation Network, Southern Environmental Law Center, White Oak-New Riverkeeper	Integrated Priority Rating System: Do not include reclaimed water projects in Green Projects section. Relocate Items 8 and 9 "Reclaimed Water" out of Green Projects section and to Wastewater Treatment and Collection System Projects. Basis, utilizing reclaimed water reduces in-stream flows due to less water being returned to surface water system; increased use of reclaimed water can result in localized polluted run-off; disposal capacity gained by shifting a portion of wastewater disposal to reclaimed alternatives doesn't necessarily permanently remove discharged flow from surface water system, instead, gained disposal capacity is dedicated to new growth.	No action recommended. Retain 8 and 9 in Green Projects Section. Fits well and should not be separated. Position is to treat as a resource, not a waste. Stringent permitting requirements prohibit run-off of reclaimed water/systems are Non-Discharge based. Source water at some sites is groundwater based. Land application of water returns the reclaimed water to the hydrologic cycle.
15		Integrated Priority Rating System: Reduce Item 6.1 "Stream restoration project that restores the natural hydrology of the watershed" from 10 points to 7 points.	Maintain Section 6 as is.
16		Integrated Priority Rating System: Reduce Item 6.2 "Stream restoration project that includes protection of riparian buffers beyond rule requirements" from 5 points to 3 points.	Maintain Section 6 as is.
17		Integrated Priority Rating System: Create Item 6.3 to promote emphasis on headwater stream restoration or scale of project (large enough) to provide mechanism for restoration to be naturally sustainable for 5 points.	Maintain Section 6 as is. 6.1 appears to capture intent of recommended language.

18		Integrated Priority Rating System: Recommendation made to weight collection systems and stormwater projects equally. Increase Item 7 "Stormwater project that addresses treating existing sources of pollution" from 15 points to 20 points due to significance and extent of stormwater pollution and to similarly recognize significance of stormwater pollution by allowing equal weighting with collection systems.	Maintain Section 7 as is. Benefits from collection system improvements may be more readily recognizable than those for stormwater (reduction in SSOs, flow reductions, increased compliance at receiving WWTP, etc are definable). Benefits from stormwater projects not as readily measurable and quantifiable as those for collections. Improvements to collection system should yield better performance at receiving WWTP, therefore magnifying the total benefit from the collection project. Although stormwater is a pollutant source, characteristics of wastewater and stormwater differ. Stormwater management projects are intended to address BMPs for nutrient removal and are engineered systems, focus of stormwater management isn't to restore/maintain natural hydrology. As such, support higher ranking for collections than stormwater based on cumulative benefits.
19		Integrated Priority Rating System: Add item component to 7 "Stormwater projects" to factor in projects restoring natural or original hydrology. Basis: to meet intent of green infrastructure, project should mimic natural hydrology to allow natural functions to occur.	No action recommended. Goal of stormwater projects is to address BMPs for nutrient reduction. Focus is not on stream hydrology. Stormwater systems are engineered systems, may not necessarily be a good fit with stream hydrology restoration
20		Integrated Priority Rating System: move items 8 and 9 "reclaimed water projects" to collection system project criteria section.	No action recommended. Retain 8 and 9 in Green Projects Section. Fits well and should not be separated. Position is to treat as a resource, not a waste.
21		Integrated Priority Rating System: For Item 10 "Energy efficiency project at a WWTP or other wastewater infrastructure strictly to achieve a minimum 20% energy reduction," ensure energy efficiency projects also has some impact on improving water quality.	No action recommended. Indirect water quality benefits may be realized from energy efficiency projects. (new pumps could mean fewer spills, updated UV could result in improved WQ, redirection of savings to other system/facility improvements may provide water quality benefits.)
22		Integrated Priority Rating System: Add new Item in Green Projects section to factor in water efficiency projects. Basis: reduction in water use lessens demands on WWTFs and necessity of expansion.	No action recommended. Water efficiency projects may be temporary vs permanent, not easily measurable/quantifiable, contradicts recommendation for item 10, which indicates direct WQ improvements should result from project, potential "double-dipping" conflict with water fund

23		Integrated Priority Rating System: Environmental Benefits Section: Add item to award up to 5 points for projects that help communities better adapt with issues arising from climate change.	No action recommended. Benefits are not measurable or observable.
24		Integrated Priority Rating System: Environmental Benefits Section: Add item to award 6 points for WS-V projects.	WS-V waters are not actively used as the water supply source and, therefore, aren't directly applicable to the intent of the rating system. However, recommend Item 14 be amended to provide 2 points for projects benefitting waters classified WS-III or WS-IV that are covered under an approved Source Water Protection Plan. Points may not be combined for the two applicable options.
25		Integrated Priority Rating System: Environmental Benefits Section: Award bonus of 3 points that follow consistency with comprehensive greening plans that creates sustainable infrastructure.	No action recommended. Item 21 appears to capture intent.
26		Integrated Priority Rating System: System Management Section: Communities that can achieve full cost recovery receive 3 bonus points to promote sustainable long term projects.	No action recommended. Covered in Item 20 when operating ratios are greater than 1.
27		Integrated Priority Rating System: System Management Section: Deduct up to 5 points for projects without a needs analysis. Basis, make sure no compliance issues will arise due to increased flows.	No action recommended. Should be addressed in initial project evaluation by responsible consultants and communities (done behind the scenes). Not considered practical to predict potential future compliance issues.
28		Integrated Priority Rating System: System Management Section: Deduct up to 5 points for projects not consistent with local planning goals.	No action recommended. Very large effort to coordinate with the planning/zoning side. Intent seems to be captured by item 21.
29		Integrated Priority Rating System: System Management Section: Deduct 2 points if there is no water and sewer master plan.	No action recommended. Intent seems to be captured by item 21.
30		Integrated Priority Rating System: System Management Section: Deduct 3 points if project does not comply with floodplain management policies in G.S. 143-215.54A.	No action recommended. Existing permitting process mechanisms are present to ensure projects are built in compliance with requirements.
31		Integrated Priority Rating System: Financial Situation Section: add item that looks specifically at financial viability of project.	No action recommended. Intent seems to be captured by item 20.
32		Integrated Priority Rating System: Financial Situation Section: require applicants to make a threshold showing of financial viability for their projects in context of overall finances.	No action recommended. Intent seems to be captured by items 19 and 20.
33		Draft Intended Use Plan: create and add a project self evaluation checklist focusing on coordination of comprehensive environmental benefit and goal of achieving natural hydrology; consider on-site infiltration, reduced maintenance costs, etc.	No action recommended. Should be a part of every design analysis performed by responsible consultants and communities.

34		Draft Intended Use Plan: Should encourage "design-build" projects; allow submittal of conceptual projects	No action recommended. Focus should remain on infrastructure improvements. Results may not be tangible for "design-build" projects. "Design-build" concept not compatible with General Statutes.
35		Draft Intended Use Plan: Allow principle forgiveness for projects funded under the green reserve.	No action recommended. Principle forgiveness provides mechanism to assist disadvantaged communities. Disadvantaged communities do not frequently initiate green projects due to funding priorities. Green projects are more often driven by larger communities with more available resources to fund green projects without principal forgiveness.
36	Stephen Brown Western Wake Partners	Recognition of Apex, Cary, Holly Springs, and Morrisville projects.	No action required.

**STATE OF NORTH CAROLINA
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
DIVISION OF WATER QUALITY**

**REPORT OF PROCEEDINGS AT PUBLIC HEARING CONCERNING
FISCAL YEARS 2009/ 2010 MUNICIPAL CONSTRUCTION LOAN
PRIORITY LIST AND INTENDED USE PLAN
FOR STATE REVOLVING FUND LOANS**

March 31, 2010

ATTENDEES FOR PUBLIC HEARING

March 31, 2010

Staff Members in Attendance:

Daniel M. Blaisdell, Chief - Construction Grants and Loans Section
Mark Hubbard- Assistant Chief, Project Management Branch
Michael Adamio - Assistant Chief, Planning and Administration Branch
Kim Colson – Assistant Chief, Engineering Branch
Jennifer Haynie – Supervisor, Facilities Evaluation Unit
Seth Robertson – Supervisor, Design Management Unit
Pam Whitley – Administrative Officer, Project Management Branch
Don Evans – Engineer, Project Management Branch
Jessica Sutton – Engineer, Facilities Evaluation Unit
Sharon Davis - Recording Secretary

Others In Attendance:

Belinda Henson - Surface Water Protection Section Supervisor of the Fayetteville Regional Office – Hearing Officer

David May - Aquifer Protection Section Supervisor of the Washington Regional Office – Hearing Officer

Joel Whitford-McGill Associates
Will Larsen – The Wooten Company
Dennis Brobst – Moore County
Mike Acquesta – O'Brien & Gere
Mike McAllister – O'Brien & Gere
Shadi Eskaf – Environmental Finance Center – UNC
Randy Gould – Rivers & Associates
Randy McNeill – Davis Martin Powell
Shankar Mistry – The Wooten Company
Sara Stuckey – Rural Center
Bobby Blowe – Rural Center
Ben Clawson – Municipal Engineering
Lisa Creasman – Conservation Trust
David Dickenson – Engineering Services
Leila Goodwin – Town of Cary
Bryan Odom – WK Dickson
E Leo Green – Green Engineering
Harry Buckner – McGill Associates

AGENDA

1. Call to Order ----- Belinda Henson, David May
(Hearing Officers)

2. Introduction of Staff and
Explanation of Priority
and Funding List ----- Daniel M. Blaisdell

3. Public Comments

4. Closing Remarks and Comments ----- David May
(Hearing Officer)

Proceedings of Public Hearing

Call to Order

Ms Henson / Mr. May:

Ms. Henson: Good afternoon. My name is Belinda Henson and I am the Surface Water Protection Section Supervisor of the Fayetteville Regional Office of the Division of Water Quality.

Mr. May: Good afternoon. My name is David May and I am the Aquifer Protection Section Supervisor of the Washington Regional Office of the Division of Water Quality.

Ms. Henson: We have been designated to preside at this hearing, the purpose of which is to obtain public comment on the draft 2009/2010 Intended Use Plan (IUP), State Project List, and draft Integrated Priority Rating system for projects to be funded through the CWSRF by the 2009 and 2010 EPA Capitalization grants and recycled funds. The public notice for this hearing was made available through the Construction Grants and Loans Web Site; the Division of Water Quality web site, and various other organizations including the League of Municipalities, the Association of County Commissioners, the Environmental Finance Institute at UNC; and the NC Water Environment Association. The Notice will be recorded as part of the hearing, if there is no objection.

Any person or organization desiring to make oral comments today should register at the table near the entrance of the Hearing Room. Comments only, no questions will be limited to three minutes. One typewritten copy of any such statement should also be submitted today. The hearing record will be closed at the end of business on April 7, 2010.

This hearing is being held in compliance with Federal requirements of the Clean Water State Revolving Fund Program.

Introduction of Staff & Explanation

At this time, I would like to introduce Mr. Dan Blaisdell, Section Chief of the Construction Grants & Loans Section. He will introduce CG&L staff and discuss the draft Intended Use Plan (IUP) and other program items in greater detail.

Mr. Blaisdell: Thank you Belinda, thank you David. Good afternoon. Before I start my comments, as Belinda said I would like to introduce the Construction Grants & Loans Section supervisory staff. With us today is:

Mr. Michael Adamio
Mr. Kim Colson
Ms. Jennifer Haynie
Mr. Mark Hubbard and
Mr. Seth Robertson

During the last three months each of these individuals has been instrumental in developing the 2009/2010 Intended Use Plan.

And now I would like paraphrase some excerpts from the draft Intended Use Plan, or IUP, for the funds that are being made available to North Carolina through the 2009 and 2010 EPA capitalization grants. The Intended Use Plan accompanies North Carolina's 2009 and 2010 applications to EPA, and it is required to receive \$12,281,148 and \$36,733,000, respectively, for the Clean Water State Revolving Fund Program. In each case a 20% State match is also required to receive the EPA grant.

North Carolina's Clean Water State Revolving program will continue to be one of low interest loans, supplemented with principal forgiveness for not less than \$5,507,429 and not more than approximately \$10,000,000 from the 2010 Federal capitalization grant. It should be noted that the 2010 EPA appropriation allows a range of principal forgiveness in North Carolina: from a minimum of \$5,507,429 to a maximum of \$18,358,095. However, to ensure both the long-term viability of the Clean Water State Revolving Fund and a historic average capitalization grant for low interest loans, a maximum of \$10,000,000 in the form of principal forgiveness has been selected.

The 2010 Federal capitalization grant appropriation also requires that, to the extent there are sufficient eligible project applications, not less than 20% of the funds made available, or \$7,354,600, must be used to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. The State also intends to access 4 percent of both capitalization grants for the administrative costs associated with running the program.

During calendar year 2010 the State intends to move the Clean Water SRF program from a readiness-to-proceed basis to a fully implemented priority rating system along with a system of deadlines to effectively manage the pace of the program. Funding will be provided in priority order based on project score and the amount of funds made available in a particular cycle. Beginning in calendar year 2010 the Clean Water SRF program also

intends to adhere to a new timeline for reviewing and approving funded projects. Please refer to Page 3, Section D.2 in the Intended Use Plan for details about this new project timeline.

The draft IUP also addresses changes in the maximum Clean Water SRF loan.

The new maximums will be \$25,000,000 per project, per applicant and not more than \$50,000,000 in outstanding debt to the Clean Water SRF program.

To be eligible for Clean Water SRF funding a project or project applicant must be included on the State Project List. With this in mind, as part of this public hearing the Construction Grants and Loans Section is requesting Letters of Intent To Apply for Clean Water SRF funding from all potential, eligible recipients. As the hearing officers have indicated, the hearing record will close on April 7, 2010. However, the Construction Grants and Loans Section will accept Letters of Intent To Apply for funding until the close of business on April 30, 2010.

Finally, sometime after this hearing, in advance of the first application deadline, application guidance and instructions will be available on the Division of Water Quality web site and through a link on the CG&L web site.

This concludes my comments.

Public Comments

Mr. May: At this time we will start the public comment portion of the hearing now. If you have registered to speak, please come forward and provide Ms. Sharon Davis with a written copy of your statement. All statements will be limited to three minutes.

I do not believe that we've got any registered speakers, so at this time if there is anybody who did not register and you wish to speak, you may do so. If you wish to speak, if you would, please raise your hand.

Okay.

Closing

Mr. May: If there are no other comments to be provided, and not other points of discussion you would like to make, or remarks, we will pause for a second and see if anybody does have any comment for another minute.
(pause)

Well, given that there are not comments to be made at this time, then we'll have to declare this public hearing closed. Thank you for your participation and joining us here.