**North Carolina Drinking Water Funding Programs Overview**

**Division of Water Infrastructure (DWI) Website:** <http://portal.ncdenr.org/web/wi/home>

1. **Application Filing**
2. Application deadlines can be up to twice a year but SRF is currently only available in the Fall round of each year. The deadlines are typically March and September.
3. If SRF and State Reserve funding are both available, an applicant will simply apply for funding and DWI will slot successful applications into the funding program that best suits the situation (most grant or principal forgiveness, most total dollars etc.)
4. Letter of Intend to Fund (LOIF) letters are mailed after DWI evaluation and State Water Infrastructure Authority approval.Recipients of LOIF letters are placed on a schedule for completing the rest of the steps to start construction.
5. Consult the website for the current application forms.
6. **Engineering Report Submission and Approval (See website for guidance and details)**
7. From the Date of the LOIF, an Engineering Report must be submitted within **4 months**
8. From the Date of the LOIF, the Engineering Report must be approved within **9 months**
9. Consult the website for submittal checklists and instructions.

**C) Application Approval by the Local Government Commission**

1. For projects with a loan component, the Local Government Commission must approve the ability to take on the requested debt. This is done after the Engineering Report is approved. DWI staff will transmit the required information to the LGC on behalf of the project applicant. **Note that LGC 108A & 108C forms are now not requested by DWI until the ER is approved. The ER approval letter asks the applicant to obtain the forms from the website and return them to DWI. Please do this as soon as possible.**
2. Terms:
   1. Projects with interest bearing loans will receive the lower of two interest rates. The two rates are the current rate when applications are due and the rate when the LGC approves the loan. The Loan Offer (discussed in D, below) will reflect the lower rate. The rates are ½ the 20-year municipal bond buyers index. Certain, qualifying applications receive 0% interest loans.
   2. The LGC sets the loan term with a maximum term of 20 years. Applicants may want to contact the LGC earlier than this to ensure they are able to meet LGC approval requirements. Currently the LGC is not allowed to review applications for $1,000,000 or more unless a letter to the Joint Legislative Committee on Local Government and the Fiscal Research Division has been provided.
   3. Loan Offers can be written for as much as 110% of the LGC approved amount. The applicant must justify this, and request it in writing from the DWI.
   4. In some rare cases a 30 year term may be available. Please consult DWI management to discuss if this is potentially available for your situation.

**D) Loan Offer**

1. After approval of the Engineering Report and debt capacity by the LGC (for loans), a formal Award Offer is prepared which includes the Award’s details and applicable assurances and conditions.
   1. Two copies of the Award Offer are sent to recipients. Return the following to DWI:
   2. One signed copy (keep the other copy) of the Award Offer
   3. Resolution accepting the loan offer
   4. Federal ID and DUNS # form.
   5. Sales Tax Certification
2. In the event of bids that exceed the project budget, a loan increase for up to 10% can be authorized without additional approval of the LGC. Amounts above 10%require a modified application to be approved by the LGC.
3. Closing Fees are invoiced with the Authority to Award letter. (paragraph F below). The Award Offer contained an estimated closing fee but actual closing costs are based on the total costs after bids are received. Loan Fees are 2% and Grant Fees 1.5%.

**E) Plans and Specifications Approval (see website for guidance and details)**

1. Plans & Specifications must be submitted within **15 months** of the LOIF.
2. Plans and Specifications must be approved within **19 months** of the LOIF. This includes issuance of all permits.
3. The project’s plans and specifications must be approved by the Division prior to advertising for bids. Changes by addendum must be submitted to the Division for approval. Changes by change order must also be submitted for approval.

**F) Bidding and Issuance of Authority to Award (ATA) the Construction Contract**

1. Issuance of the ATA letter must be within **23 months** of the LOIF letter. Awarding contracts before issuance of the ATA letter is at the risk of the owner.
2. The contracts may be advertised as soon as plans & specifications are approved and permits are issued. NC General Statutes require the project to be advertised for 7 days, however DWI prefers projects to be advertised for 30 days. For the initial advertisement period, three bids must be received in order for an award to be made. The Plans & Specifications approval letter has the Project Bid Information form attached. It, and the other information described in it, must be submitted to and approved by this office **before contracts can be awarded**. This information is:
   1. Project Bid Information Form, signed by authorized representative
   2. Bid tabulation, sealed by the consulting engineer
   3. Proposals of the successful bidders
   4. Tentative award resolution from loan recipient subject to DWI approval
   5. Engineer's recommendation
   6. Proof of Advertisement
   7. American Iron and Steel Certification (SRF only)
   8. MBE/WBE requirements. (Detailed guidance on the website)
3. In an environment where program funding is limited, costs not demonstrated to be needed by the applicant, will immediately be made available in future funding rounds (deobligated).

**G) Construction Phase of Project**

**1. Inspections**

* 1. Site Inspections will be conducted for all funded projects. Coordinate the Preconstruction Conference with the Inspector assigned to project. The number of inspections performed will be determined based on the length of the project, type of project, amount of funding involved and other factors. Any duly authorized representative of the State will have access to the work site and the contractor will provide proper facilities for such access and inspection. Further, any authorized representative of the State shall have access, for the purpose of audit and examination, to any records pertinent to the funds.
  2. A primary duty of the administering State agency is to guard against fraud, waste and abuse of Federal funds. To ensure proper use of Federal funds, State personnel may review submittals, daily logs, testing reports, as-builts and other appropriate construction documentation to verify that project elements meet approved specifications. Generally, any changes to unit quantities or changes in specifications that result in substantial monetary savings for the owner, will need to be documented by change order.
  3. Conformance with SRF standard conditions is a primary program responsibility. These include Davis-Bacon and American Iron and Steel currently.
  4. Additionally, inspections may uncover unsafe construction practices and environmental compliance violations. While not necessarily in SRF staff jurisdiction, deficiencies may be referred to appropriate enforcement agencies. Expeditious and timely use of SRF funds is a program goal and avoidance of any delay in construction is a concern, particularly delays associated with public health or worker safety which are of concern in their own right.

1. **Disbursements ($$$)**
   1. **First Disbursement**
      1. Approval of Construction Contracts must happen with **24 months** of the LOIF letter. The following items are required for approval:

* Contract must be fully executed and bound
* Notice to Proceed must be executed by owner and contractor
* The project specifications must include 100% performance and payment bonds. Bonds must be dated on or after contract date
* Original power of attorney must be dated on or after bonds
* The contractor must provide current Insurance
* All documents must be bound with the specifications
* Davis-Bacon Documents must be present in the specifications
  + 1. Capital Project Ordinance submitted as required by G.S. 159-13.2. Alternately a budget ordinance that clearly identifies the project being funded by the SRF can be submitted.
    2. All items under Item D,1.
    3. Site Certificate
    4. Engineering Contracts if payment is sought.
    5. Closing Fee must have been received
    6. For Loans, promissory note executed and returned to the Local Government Commission (this is requested from the LGC upon receipt of the executed construction contract and is for the amount noted in the ATA letter)
  1. **Disbursements - General Information** 
     1. Forms can be found online. A sample was included with the Loan Offer
     2. Disbursement requests should be sent to Teresa Tripp; 1633 Mail Service Center; Raleigh, NC 27699-1633
     3. All items must be approved in advance before being reimbursed.
     4. One copy of the following information is required for reimbursements:
* Reimbursement request form with original signature.
* Contractor monthly estimates
* Engineering invoices
* Invoices for any other approved costs
* Eligible land costs will be reimbursed when the land has either been acquired. A copy of an offer to purchase the land must be submitted with the appraisal. **Condemned land costs are not eligible in DWSRF.**
  + 1. Indicate cumulative totals on the reimbursement form
    2. Check the appropriate box regarding whether or not contractors have already been paid. Note, that if the DWI funds are needed to pay the contracts, the funds must be disbursed within 3 banking days of receipt.
    3. As noted in the Award Offer Assurances, sales taxes will be deducted from disbursements if an applicant indicates they intend to seek reimbursement for them from the Department of Revenue. A certification form is provided on our website to indicate what the owner intends to do regarding sales tax.
    4. Note that Davis-Bacon certified payrolls and materials invoices that support the contract summary invoice **do not** need to be submitted with reimbursement requests.
  1. **Project Closeout and Final Disbursement** 
     1. Funds are held at 95% until the final payment is authorized.
     2. Required items for final payment include:
* The inspector must issue final inspection report signifying that project is

complete and all concerns have been satisfied and all change orders must have been submitted.

* Final invoices showing zero retainage must be submitted with a final reimbursement request.
* Submit to Pam Whitley:
* Engineer's certifications.
* Owner’s Certification of Completion
* Signed Closeout Checklist.

**H) REPAYMENTS (Loans Only)**

1. Repayments will be reflected in the final promissory note and will be for the

actual funds borrowed.

1. Repayments by the recipient begin on the May 1st or the November 1st that is between 6 months and 12 months after original project completion in the notice to proceed.
2. The May 1st payment includes principal and interest and the November 1st payment is only interest.
3. **Interest begins to accrue from the date of completion on the Notice to Proceed.** (i.e., no interest during the originally planned construction period) For multi-prime contracts the General contract will be used to set this date.
4. Construction Manager at Risk and Design Build Contracts, should set a date of completion in that contract.
5. **Eligible Expenses**
6. **Regulatory Authority - DWSRF**

a) The types of projects that can be funded are defined in Section 1452 of the Safe Drinking Water Act. Generally these are described as:

* + 1. Treatment
    2. Transmission and Distribution
    3. Source
    4. Storage
    5. Consolidation
    6. Creation of new systems

**2. Construction – Items Not Eligible**

* 1. Project elements not related to the scope of the approved project.
  2. The SRF will pay to restore project related items such as road patching, sidewalks

Fences, seeding, etc . Complete paving of streets unless warranted by disturbance of construction activities, even if required by NCDOT

* 1. Note that items or rework that should be covered by bonds, insurance or liquidated damages will not be covered by the SRF funds.
  2. Any installation of service lines or service laterals outside the right-of-way.
  3. Operation and maintenance type work or items such as spare parts.
  4. Extended warranties or maintenance contracts.
  5. Wastewater facilities are not eligible for DWSRF projects unless changes are necessary to complete the drinking water project (e.g. moving a sewer line).

**3. Engineering and Technical Services – Eligibility Considerations**

a) Planning and Design Contracts

* + 1. Must include task descriptions and these tasks must be associated with the project being built

b) Construction Administration and Inspection

* + 1. Task Description must be included and tasks must be associated with eligible construction work
    2. Typical tasks include but are not limited to: attending meetings, provide plan copies, review testing, review shop drawings, review payment applications, prepare change orders, coordinate with DWI, as-builts
    3. Price should be cost plus fixed fee or per diem with a ceiling. This fee scheduleshould be in the contract.
    4. Invoices must include hours, rate and task
    5. Contract must be amended to pay beyond the ceiling. Must be accompanied by justification such as a corresponding change order.

c). Other eligible engineering activities include bidding, O&M manuals, soils reports, etc.

1. **Other Eligibility Notes** 
   1. Legal - Legal fees for contract review and for advertisements etc.
   2. Real Property - limited to actual value of the property (not what is paid). Costs associated with condemnations are not eligible.
   3. Preparation of permits required by Federal, or State regulations or procedures.
   4. Permits imposed by the local unit such as building permits are not eligible.