



DRINKING WATER

FY16 DWSRF Intended Use Plan For SFY17

July 29, 2016

FINAL

SCDHEC
Bureau of Water
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I. Introduction

The Drinking Water State Revolving Fund (DWSRF) was created by the 1996 amendments to the federal Safe Drinking Water Act (SDWA) to assist public water systems with financing the cost of infrastructure needed to achieve or maintain compliance with the SDWA. Section 1452 of the SDWA authorizes the Administrator of the US Environmental Protection Agency (EPA) to award capitalization grants to states to provide seed money for the purpose of establishing a low-interest loan program (the DWSRF) and other types of assistance to eligible water systems.

This Intended Use Plan (IUP), required under the SDWA, describes how South Carolina proposes to use available SRF funds for State Fiscal Year (SFY) 2017 – July 1, 2016 through June 30, 2017 – including federal funds allocated to South Carolina from the Consolidated Appropriations Act, 2016 (P.L. 114-113), and how those uses support the objectives of the SDWA in the protection of public health. South Carolina’s allotment from the FY2016 federal appropriations is \$8,312,000. Eligibility for DWSRF loans and DWSRF program requirements, including any requirements of P.L. 114-113 are also included in this IUP.

The South Carolina Department of Health and Environmental Control (DHEC) has primary enforcement responsibility (i.e., primacy) for carrying out the provisions of the SDWA. DHEC is the designated state agency to apply for and administer the capitalization grant for the DWSRF. The South Carolina Water Quality Revolving Fund Authority (Authority) is responsible for the financial functions of the DWSRF, including its financial policies, and executes loan agreements with project sponsors. The Rural Infrastructure Authority (RIA) Office of Local Government (OLG) conducts the staff functions of the Authority.

The IUP must be noticed for a period of at least 30 days to accept comments from the public. Comments on all facets of the DRAFT IUP are accepted. After considering comments received, the IUP is finalized and posted on DHEC’s website at www.scdhec.gov/srf.

II. Goals

South Carolina has identified several short and long term goals, designed to promote sustainable improvements to the state’s drinking water infrastructure and help ensure maximum public health and environmental benefits.

A. Short Term Goals

1. Increase participation of small water systems in the SRF loan program.
2. Assist public water systems with implementation of treatment strategies to comply with the Stage 2 Disinfection Byproducts Rule
3. Enhance technical assistance to small communities.

B. Long Term Goals

1. Promote sustainable system capacity through consolidation of systems thereby taking advantage of the economies of scale to address technical, managerial and financial capacity problems.

2. Encourage investment in green infrastructure, water and energy efficient improvements and environmentally innovative projects.
3. Maintain a working relationship with other infrastructure funding authorities within the state to coordinate water quality funding.
4. Maintain the fiscal integrity of the DWSRF to ensure the perpetuity of the fund.

III. Transfer of Funds From/To the Clean Water State Revolving Fund

The SC SRF program reserves the authority to transfer funds between the Clean Water (CW) SRF and DWSRF program as provided for by federal authority. The ability to transfer funds from prior and current grants will assist in meeting demand for CWSRF and DWSRF funding.

Due to the demand for funds in the DWSRF program for SFY17, SC SRF proposes to transfer funds from CWSRF to DWSRF under federal authorities. An amount equal to 33% of the FY16 capitalization grant is the maximum transfer allowed and amounts to \$2,742,960. Additionally, SC SRF plans to ask for a deviation from DWSRF regulations in order to transfer the maximum eligible amount of leftover funds that were not previously transferred in any given year in which the state received a DWSRF capitalization grant, going back to the inception of the DWSRF program. For SC SRF that would amount to \$37,431,852, representing capitalization grants from FY97-FY09. The transfer funds are non-federal funds made available by loan repayments. This transfer will help meet the demand for DW funds without adversely impacting the CW fund.

IV. Provisional Projects List

The Drinking Water Provisional Project List (PPL) (Appendix A) identifies projects that are considered eligible and ready to proceed in the State Fiscal Year 2017. The list consists of projects that are in the process of meeting SRF program requirements and new projects.

All loan projects on the PPL must complete the process detailed in Section V(C) to receive funding.

Final funding decisions for each project are contingent on a satisfactory review of the project sponsor's technical and managerial capacity, a completed environmental review of the proposed project, issuance of a DHEC SRF construction permit, and a successful final credit review by the RIA/OLG for the Authority. The availability of a loan from the Authority will be based on the project sponsor's financial capacity and its ability to afford repayment on the requested amount of debt.

The Provisional Project List includes projects that have been identified to receive principal forgiveness funds. These funds are only available if the FY16 DWSRF Capitalization Grant is awarded by EPA and accepted by DHEC. Project listing is not a commitment of funding.

V. Method for Selecting Projects and Distribution of Funds

A. Priority Ranking System

DHEC has a Priority Ranking System for projects seeking funding from the DWSRF. A copy of the ranking system used to score and rank projects can be found on the SRF Documents and Forms webpage at <http://www.scdhec.gov/srfforms>.

B. Comprehensive Priority List of DWSRF Projects

For a project to be considered for funding from the DWSRF, it must appear on the Comprehensive Priority List of DWSRF Projects. To be included in this list, an eligible project sponsor must complete a project questionnaire, DHEC 3463, found on the SRF Documents and Forms webpage, <http://www.scdhec.gov/srfforms>. A project sponsor may submit a completed questionnaire to the SRF section of DHEC's Bureau of Water at any time. Once the questionnaire is received, DHEC staff evaluate the project based on the DWSRF Priority Ranking System and the project receives a numeric score. The project is then added to the Comprehensive Priority List of DWSRF Projects in rank order. Projects with the same numerical score are ordered based on how the project addresses correcting risk to public health and compliance with the Safe Drinking Water Act and date received. DHEC maintains an updated Comprehensive Priority List on the SRF Documents and Forms webpage, <http://www.scdhec.gov/srfforms>.

If a project remains on the comprehensive priority list for two years and is not ready to proceed, DHEC staff contact the sponsor and request that a revised project questionnaire be submitted within 30 days that updates the cost estimate along with any changes to the project description. If DHEC does not receive a revised project questionnaire, the project is removed from the comprehensive priority list.

C. Selection of Projects and SRF Funding

The selection of projects for the Provisional Project List (Appendix A) is based on project ranking and the sponsor's indicated readiness to proceed with a project during SFY17. Ready to proceed in SFY17 means that a project will be in compliance with the SRF schedule for submission of an acceptable preliminary engineering report and construction permit application as well as a complete SRF loan application to the RIA/OLG.

The successful completion of a preliminary financial review is should occur before a project sponsor proceeds with meeting the technical requirements for a loan. Based on the schedule established for a project, RIA/OLG will send the sponsor a loan application package. To proceed as an SFY17 SRF project a project must receive a construction permit and submit a complete loan application to RIA/OLG by July 31, 2017. For large projects, DHEC and RIA/OLG reserve the right to impose a limit on the amount of any given DWSRF loan, regardless of ranking, and to consider a sponsor's ability to obtain financing from other sources.

D. Bypass Procedure

When selecting projects for funding, DHEC may bypass projects on the Comprehensive Priority List as follows:

1. To comply with Section 1452(a)(2) of the SDWA, which requires that at least 15% of DWSRF must be used for assisting small water systems (systems serving <10,000 population).
2. To fund a project where a viable system owner is willing to assume ownership of a non-viable or abandoned system.
3. To address an imminent hazard to public health declared by the DHEC Director.

4. To fund a project that corrects violations of primary drinking water standards through consolidation or regionalization.

E. Expeditious Use of Funds

Due to an increase in expected utilization of SRF funding and in order to promote timely commitment and use of SRF funds, DHEC will set milestones for each project related to the completion of the PER and the construction permit application. For the projects listed in Appendix A, the project sponsor must meet these milestones to ensure funds will not be committed to other projects. For example, if the project sponsor does not meet the PER deadline, DHEC may move to another sponsor whose project has met the deadline (even a project from the DW Comprehensive Priority List but not listed in Appendix A). If that occurs, the original sponsor may need to wait and compete for available (and possibly more limited) funds in the next funding cycle. The same thing would apply to the deadline for submission of the plans/specifications. DHEC will take in account the complexity of the project and work with project sponsors in setting project milestones.

F. Sustainability Requirement

The DWSRF may not provide any financial assistance to a system that has failed to maintain a satisfactory level of SDWA compliance as enumerated by EPA's Enforcement Targeting Tool (ETT) unless the State conducts a review and determines that the project will enable the system to return to compliance and the system will maintain an adequate level of technical, managerial and financial capability to maintain compliance. Nor may assistance be provided to any project sponsor that lacks the technical, managerial or financial capability to maintain SDWA compliance, unless the sponsor agrees to undertake feasible and appropriate changes in operation or if the use of the financial assistance from the DWSRF will ensure sustainability and compliance over the long-term (Section 1452(a)(3)(B)(I) of the SDWA).

Sponsor sustainability is evaluated using DHEC's Utility Sustainability Assessment (UtSA) (DHEC form 0574). The UtSA is a written system assessment completed by the Sponsor and reviewed and scored by DHEC that includes operational issues, managerial issues and limited financial information. Unless an acceptable score was received on an UtSA within the previous three years an UtSA is requested of sponsors with projects on the Provisional Projects List. Additional financial assessment is performed by the RIA/OLG as part of the preliminary financial review and loan application process.

G. Growth

The DWSRF cannot provide assistance to finance the expansion of any drinking water system solely in anticipation of future population growth (Section 1452(g)(3)(C) of the SDWA). However, assistance may be provided to address population growth expected to occur over the useful life of the facility to be funded. In determining whether or not a project is eligible for assistance, DHEC will determine the primary purpose of the project. If the primary purpose is to supply or attract growth, the project is not eligible to receive DWSRF funds. If the primary purpose is to solve a compliance or public health problem, the entire project, including the portion necessary to accommodate a reasonable amount of growth over its useful life, is eligible.

H. Funding Terms and Interest Rates for Eligible Projects

Loans for projects eligible to participate under the DWSRF usually have a term of 20 years. The loan term may be increased up to 30 years in some cases for qualifying systems (see Section VII. Disadvantaged Community Systems).

Visit the RIA/OLG website, <http://www.ria.sc.gov/> to view current SRF loan rates and policies. Interest rates for SFY17 are expected to be published by the RIA/OLG in early October 2016.

I. Loan Application

Sponsors of Provisional Projects who successfully complete RIA/OLG's preliminary financial review may apply to the Authority through RIA/OLG for SRF loan financing by submitting a loan application approximately 30 days prior to submitting plans and specifications as required for a DHEC/SRF construction permit. Authorization to construct the project, either through an SRF-issued Permit to Construct or Letter of Approval, both of which require a completed environmental review, is required before an SRF loan application is considered complete.

Loan applications are accepted from October 1 through July 31.

VI. Eligibility Criteria

A. Eligible Sponsors

Municipalities, counties, special purpose districts, and other public entities are eligible SRF project sponsors.

B. Compliance and Public Health

According to Section 1452(a)(2) of the SDWA, the DWSRF may only provide assistance for expenditures (not including monitoring, operation and maintenance expenditures) of a type or category which will facilitate compliance with national primary drinking water regulations applicable to the system under section 1412 of the Act or otherwise significantly further the health protection objectives of the Act.

Projects to address SDWA health standards that have been exceeded or to prevent future violations of the rules are eligible for funding. This includes projects to maintain compliance with existing regulations for contaminants with acute health effects (i.e., the Surface Water Treatment Rule, the Total Coliform Rule, and nitrate standard) and regulations for contaminants with chronic health effects (i.e., Lead and Copper Rule, Phases I, II, and V rules, total trihalomethanes, etc.).

Projects to replace aging infrastructure are eligible if they are needed to maintain compliance or further the public health protection goals of the SDWA. Examples include projects to:

1. Rehabilitate or develop sources (excluding reservoirs, dams, dam rehabilitation and water rights) to replace contaminated sources;
2. Install or upgrade treatment facilities if the project would improve the quality of drinking water to comply with primary or secondary standards;
3. Install or upgrade storage facilities, including finished water reservoirs, to prevent microbiological contaminants from entering the water system;

4. Install or replace transmission and distribution pipes to prevent contamination caused by leaks or breaks in the pipe, or to improve water pressure to safe levels;

Projects to consolidate water supplies—for example, when a public water supply is contaminated, or the system is unable to maintain compliance for financial or managerial reasons—are eligible for DWSRF assistance.

C. Land

Land is eligible only if it is integral to a project that is needed to meet or maintain compliance and further public health protection. In this instance, land that is “integral to a project” is only the land where eligible treatment or distribution projects will be located. The purchase price of all land, rights-of ways, and easements, not to exceed the appraised value, may be included in the loan when: 1) the land is obtained less than one year prior to the date of submission of a complete loan application, 2) an appraisal, prepared by a qualified appraiser, is submitted on each parcel, right-of-way and easement with the loan application, and 3) the land is acquired from a willing seller.

D. Planning and Design Costs

A DWSRF loan may include the costs of project planning and services incurred prior to construction (e.g., costs associated with preparing the PER, plans and specifications, advertising, pre-bid conference, bidding procedures, pre-construction conference, loan application, or administration). Only those costs for which there is clear documentation of expenses incurred solely for the proposed project and are dated no earlier than 36 months prior to the date of a complete loan application to the RIA/OLG are eligible for funding under the DWSRF program.

E. Legal and Appraisal Fees

In general, legal and appraisal costs associated with obtaining land (rights-of-way and easements) and attorney fees associated with the SRF loan application and loan closing process are eligible. **Please note** that only the legal and appraisal costs associated with obtaining land from a willing seller are eligible for funding under the DWSRF program if incurred no earlier than one year prior to the date of submission of a complete loan application to the RIA/OLG.

F. Construction Costs

Construction costs include the costs associated with the construction of the project by a contractor. The DWSRF may provide assistance for the costs associated with engineering services during construction, such as inspections, change orders, overview of contractors, shop drawings, record drawings, concrete or soil testing, Davis-Bacon and American Iron and Steel administration, and draw requests.

Equipment that is directly purchased by the sponsor for the project, such as pumps, generators, etc., is eligible.

Materials such as pipe, valves, brick, mortar, etc., that are directly purchased by the sponsor are eligible. The materials may be installed either by a contractor or by the sponsor using its own employees and equipment: Eligibility is limited to the **costs** of materials. The costs of supplies such as fuel, oil and tools used by the sponsor to install the materials are not eligible for funding under the DWSRF program. Additionally, force account labor is not eligible.

G. Contingency

- The SRF program allows a contingency of 10% of the construction line item where the construction cost of an SRF loan is \$10 million dollars or less. When the construction cost is greater than \$10 million dollars the contingency will be limited to 5%.
- The SRF program allows a contingency of 2.5% for materials that are directly purchased by the sponsor.
- There is no contingency allowed on equipment.

H. Phasing of a Drinking Water Project

To make construction and/or funding more manageable, a project may be divided into separately funded phases or segments at the option of the sponsor. However, to be DWSRF-eligible, any such phase or segment must be of reasonable size and scope; must feasibly address a water quality, public health or compliance deficiency; and, when constructed must have the capability of being placed into immediate full operation, without its full operation being dependent on a subsequent project phase, segment or other outside operation yet to be completed. After a given project phase is funded, subsequent phases must stand separately in competing with other projects for priority list ranking in later fiscal years.

I. Projects and Activities Not Eligible for Funding

The DWSRF will not provide funding assistance for the following projects and activities:

1. Dams, or rehabilitation of dams;
2. Reservoirs, except for finished water reservoirs and those reservoirs that are part of the treatment process and are located on the property where the treatment facility is located;
3. Laboratory fees for monitoring;
4. Operation and maintenance expenses;
5. Projects needed mainly for fire protection;
6. Projects for systems that lack adequate technical, managerial and financial capability, unless assistance will ensure compliance;
7. Projects for systems in significant noncompliance, unless funding will ensure compliance;
8. Projects primarily intended to serve future growth;
9. Refinancing of existing debt;
10. Projects that would not result in the consolidation or regionalization of water systems when consolidation or regionalization is the most feasible alternative.

VII. Disadvantaged Community Systems

Projects will normally be funded at the applicable interest rate for a maximum term of 20 years; however, states which establish a disadvantaged community loan program pursuant to section 1452(d)(3) of the SDWA may provide loans to qualified recipients for up to 30 years, as long as the period of the loan does not exceed the expected design life of the project. To qualify as a Disadvantaged Community System for SC DWSRF, the 2006-2010 five-year American Community Survey (ACS) median household income (MHI) for the applicant's entire service area must be less than \$43,939 (the South Carolina ACS 2006-2010 MHI). If the applicant meets this criterion, the term of the loan may be extended up to 30 years (but not to exceed the project's useful life) and the project would be funded at the applicable interest rate.

VIII. Funds Available

A. Amount of Capitalization Grant

South Carolina's allotment from the FY 2016 federal appropriations law is \$8,312,000.

B. State Match Requirement

One condition of receiving the annual allotment is the State must deposit to the DWSRF an amount equal to at least 20% of the total capitalization grant. Based on the \$8,312,000 DWSRF allotment, the RIA/OLG will deposit \$1,662,400 in the DWSRF to comply with state match requirements.

C. Set-Aside for Administration of the DWSRF Program

The SDWA allows states to use four percent of each capitalization grant to fund the administration of the State's DWSRF program and other non-project activities. For SFY 2017, the State will take four percent (4%) of the FY 2016 capitalization grant, or \$332,480.

D. Set-Aside for Technical Assistance for Small Systems

The SDWA allows states to set aside up to two percent (2%) of its annual DWSRF allotment to fund technical assistance (TA) services to small water systems that serve populations of less than 10,000 persons. DHEC will take just over 1.2% of its DWSRF allotment amounting to \$100,000 from FY 2016 federal appropriations and will bank the remaining TA set-aside amount (almost 0.8%) for future use.

TA set-aside funds are used to fund a contract(s) with South Carolina Rural Water Association to help small public water systems address technical, managerial and financial capacity. Priority for this TA is given to those entities that have requested financial assistance from the loan fund but currently lack the technical, managerial and/or financial capacity to ensure long-term sustainability.

E. Set-Aside for Local Assistance and Other State Programs

The SDWA allows states to set aside up to 15% of its annual DWSRF allotment to fund various state drinking water protection initiatives. No more than 10% of its annual DWSRF allotment can fund any one initiative. This year DHEC will take almost 11%, or \$911,668, to fund the source water protection program and the well-head protection program. DHEC will take nearly 5.76%, or \$478,611 of the 2016 federal capitalization grant for use on source water protection activities. The well-head protection program will be funded at just over 5.2% of the annual

DWSRF allotment, or \$433,057, for use on well-head protection activities. The remainder (just over 4%) of this set-aside will be banked for future use.

F. Set-Aside for Assistance to State’s Programs

The SDWA allows states to set aside up to 10% of its annual DWSRF allotment to assist with the funding of States Drinking Water Programs. However, the use of the funds for this purpose requires a one to one state match.

DHEC will bank the entire 10% of the state’s FY 2016 allotment to use of future public water system supervision (PWSS) program activities. PWSS funds help fund the State’s drinking water program activities which are necessary to ensure that public water systems are constructed, monitored, operated and maintained in accordance with federal and state laws and regulations.

G. Estimated Funds Available for Loans for State Fiscal Year (SFY) 2017

When add 14.7 for Winnsboro - new amounts in red 7/5/16

Estimated Amount of Funds available as of 6/30/16	\$9,200,000
FY 2016 federal capitalization grant	\$8,312,000
State match for FY 2016 capitalization grant	\$1,662,400
Expected transfer of funds from Clean Water SRF ¹	\$2,742,960
Estimated SFY 17 repayments (7/1/16 to 6/30/17)	\$12,679,817
Estimated SFY 17 investment earnings (7/1/16 to 6/30/17)	\$900,000
One-time retroactive funds transfer from Clean Water SRF ²	\$37,431,852
Value of set-asides from FY 2016 capitalization grant	(1,344,148)
Estimated Total Funds Available for SFY 2017 Loans	\$71,584,881

The estimated total funds for SFY17 loans **may decrease** from the figure quoted above due to the ongoing administration of SFY16 projects where bids have not been opened (which may lead to an increase in the loan amount for one or more SFY16 projects and a subsequent decrease in funds available).

H. Anticipated Cash Draw Ratio

Since the advent of requiring additional subsidy – accomplished in SC through principal forgiveness - in FY 2010 and its attachment to specific capitalization grants, all state match is deposited in the DW fund and fully expended before then drawing federal money at 100%.

I. Amended FY 2015 IUP

The FY 2015 DWIUP for the FY15 Capitalization Grant was amended in August 2015 to update the Provisional Project List and again in July 2016 to update the Provisional Project List.

1 Expected transfer of funds from SC’s Clean Water SRF fund (as allowed by federal authority against the FY16 Drinking Water Capitalization Grant)

2 DHEC will request to transfer, from the CWSRF, the maximum eligible amount of funds that were not previously transferred in any given year in which the state received a DWSRF capitalization grant, going back to the inception of the DWSRF program, to meet demand for funding in the DWSRF program.

IX. Assurances and Specific Proposals

DHEC has provided assurances and specific proposals as part of the Operating Agreement between South Carolina and EPA. The Operating Agreement provides a framework of procedures for operation and administration of the DWSRF including:

1. **Environmental Reviews:** The State will conduct environmental reviews according to the procedures identified in its Operating Agreement.
2. **Binding Commitments:** The State will enter into binding commitments for 120% of the amount of each payment received under the capitalization grant within one year of receipt of payment.
3. **Expeditious and Timely Expenditures:** The State will expend all funds in the DWSRF in an expeditious and timely manner.

X. Additional Information / Requirements

A. Federal Requirements

Many federal requirements apply in an amount equal to the capitalization grant, and will be required of any project receiving a loan made with federal capitalization funds. These requirements are:

- Federal Environmental Crosscutters
- Disadvantaged Business Enterprise compliance (DBE)
- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards: Title 2 CFR, Parts 200 and 1500
- Federal Funding Accountability and Transparency Act (FFATA) reporting

The projects that meet these federal requirements will be identified in the DWSRF Annual Report.

B. Davis-Bacon Act

In the Consolidated Appropriations Act, 2012 (P.L. 112-74) Congress made Davis-Bacon Requirements applicable to the DWSRF to include FY12 and all future years. Davis-Bacon prevailing wage rates apply to all construction contracts over \$2,000 for projects funded in whole or in part by the DWSRF.

C. Additional Subsidies

The 2016 federal appropriations act requires the SRF program to provide additional subsidies for eligible recipients. At least \$1,662,400 will be used to provide additional subsidy; however, the SRF program may provide up to the maximum amount allowed by the SDWA, which is \$2,493,600.

EPA expects the SRF program to ensure that systems and project sponsors who receive additional subsidy have the technical, managerial and financial capacity to maintain compliance with federal and state regulations. Systems that do not have adequate technical, managerial and financial capacity may receive additional subsidy funds if the system/sponsor agrees to undertake needed changes in operation that will ensure long term sustainability.

To make maximum benefit of additional subsidy funds provided as principal forgiveness (PF) for SFY17, no one project may receive more than \$1,000,000 of this subsidy unless PF funds remain unassigned or are not committed to an identified project as expected.

Appendix A indicates the amount of PF that has been assigned to projects for SFY17 on a preliminary basis. The SRF Program reserves the right to adjust PF amounts. The projects identified to receive PF funds on the FY17 Provisional Project List do not fully satisfy the minimum PF subsidy amount requirement as described above. DHEC will fulfill this PF requirement through budget adjustments to existing PF projects, if appropriate, and/or funding new PF projects. PF funds are only available if EPA awards the FY16 DWSRF Capitalization Grant and it is accepted by DHEC. Project listing is not a commitment of funding.

Potential principal forgiveness projects for SFY 2017, shown in the Provisional Project List (Appendix A), were chosen to maximize the use of limited funds while encouraging the following priorities:

- Correct water quality violations of primary drinking water standards and potential health concerns, preferably through consolidation or regionalization;
- Enable a viable system owner willing to assume ownership of a non-viable or abandoned system;
- Ensure small systems will achieve compliance with state regulations;
- Enhance the sustainability of small systems by fixing existing infrastructure.

D. Green Project Reserve (GPR)

The Consolidated Appropriations Act, 2016 allows State Drinking Water SRFs to use funds made available by the Act to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. South Carolina plans to identify and fund projects or portions of projects that qualify as “green” under the previously published EPA Guidance for DWSRF Green Project Reserve. DWSRF GPR Guidance is posted to the SRF Guidance page of the DHEC Website at www.scdhec.gov/srf. For SFY 2017, DHEC would like to fund green projects or partial projects in an amount equal to at least 5% of the FY16 capitalization grant, or \$415,600. At the time this IUP was finalized, no projects had been identified as qualifying for the GPR. It is possible that upon review of the technical aspects of on the SFY 2017 Provisional Projects List that GPR eligible project costs may be identified.

Any project or project portion wanting to be considered for the GPR must submit documentation or, when applicable, a business case outlining the benefits of the green components of the project. Guidance on GPR documentation, and example business cases are posted with GPR guidance on the SRF Guidance page.

E. “American Iron and Steel” Requirement

The Consolidated Appropriations Act, 2016 requires that all iron and steel products used in SRF projects be produced in the United States unless a waiver is granted by the EPA. More information is available at the American Iron and Steel (AIS) webpage: http://water.epa.gov/grants_funding/aisrequirement.cfm.

F. Environmental Outcomes and Measures

DHEC will update EPA's Drinking Water Benefits Reporting database, a web-based project tracking system used to gather information to assess the environmental outcomes and measures for meeting the objectives of the DWSRF program. EPA uses the information provided to develop reports to the US Congress concerning activities funded by the SRF program.

G. Public Participation

Notice of this draft IUP is mailed or e-mailed to each project sponsor on the Comprehensive Priority List of DWSRF Projects and other interested parties. In addition, a notice (legal advertisement) is published in The State, The Greenville News, The Post and Courier, and the Sun News newspapers.

During the 30-day public notice period, the notice and DRAFT FY 2016 IUP are posted on the DHEC Website, www.scdhec.gov/srf. Interested parties are invited to review the documents and submit written comments by the deadline established in the Draft IUP notice.

Written notice regarding the draft DWIUP and the DRAFT FY16 DWIUP were posted to the DHEC website on June 9, 2016 and the notice was published as a legal advertisement in the above-mentioned papers on the same day. Comments were accepted until 5:00 pm on July 11, 2016.

The only comments received on the FY2016 Draft DWIUP were in a letter from Upstate Forever, dated July 7, 2016. These comments are addressed in Appendix B, "Response to Comments Received on the Draft FY16 DWSRF Intended Use Plan."

SOUTH CAROLINA
DWSRF SFY17 Provisional Project List

Project Sponsors/Projects listed here are eligible to be recipients of SRF funding assistance in State Fiscal Year 2017. Final funding decisions for each project will depend on: a satisfactory review of the project sponsor's technical and managerial capacity; a completed environmental review of the proposed project; issuance of a DHEC SRF construction permit; and, successful final credit review by the Rural Infrastructure Authority - Office of Local Government.

	SPONSOR Project Name	SRF Project Number	Project Description	Estimated Total Project Cost	Estimated SRF Loan Amount	Estimated Principal Forgiveness Assistance ¹	Estimated Green Project Reserve ² Amount	Population Affected by Project	Total Points
1	Florence, City of Timmonsville Water System Improvements - 2016	2110005-03	Addition of new water lines and replacement of existing lines to address low pressures in the distribution system. Also replace 24 malfunctioning hydrants and 3 stripped valves.	\$530,000	\$530,000			2,221	105
2	Winnsboro, Town of Raw Water Intake and Raw Water Line	2010001-02	Construct an intake and raw water pump station and install ~67,000 linear feet of 24" raw water pipe from the Broad River to the town's existing raw water reservoir.	\$14,700,000	\$14,700,000			14,265	95
3	Gaston Rural Community Water District Radium Treatment for Gaston Rural Community Water District	3220002-01	Install a radium removal system to reduce the combined radium concentrations and produce finished water in compliance with the established MCL.	\$730,000		\$730,000		7,186	95
4	Rock Hill, City of Rock Hill Water Treatment Plant and Lake Wylie Raw Water Intake Upgrade - DPB Reduction	4610002-07	Add intank aeration at two water storage tanks, install a 24" water line on Mt. Gallant Road and add chlorine dioxide chemical feed facilities at Lake Wylie to address the formation of disinfection by-products.	\$42,000,000	\$8,675,000			118,000	90
5	Fripp Island PSD Harbor River Waterline Replacement	0720002-02	Replace ~3,500 LF of 10" waterline crossing the Harbor River due to DOT bridge replacement. This line is the only connection to the Island's water supplier.	\$3,100,000	\$3,100,000			5,495	85
6	Walhalla, City of 4.0 MGD Water Plant and New Raw Water Intake	3710004-03	Construct a 4 MGD water treatment plant and 20" finished water main; also, construct raw water intake, raw water pump station, 24" raw water main, new 4 MGD raw water storage basin.	\$17,000,000	\$16,300,000			16,300	80
7	GSWSA Bull Creek - South Parallel Transmission Line	2620004-23	Installation of~ 12,500 LF of 36" water main to parallel an existing 30" water main that is critical to serving the southern portion of the GSWSA service area and has no existing backup.	\$6,000,000	\$6,000,000			115,000	80
8	Rock Hill, City of Rock Hill Water Treatment Plant and Lake Wylie Raw Water Intake Upgrade - WTP Improvements	4610002-08	Multiple improvements at the Rock Hill WTP to maintain compliance with drinking water standards to include: repair/replacement of clearwell baffle, sedimentation basin covers, and settled water turbidity meters.	see project 4610002-07	\$645,000			118,000	80
9	Anderson Regional Joint Water System Lake Hartwell WTP Advanced Treatment Process Improvements	0420011-06	Evaluation of Lake Hartwell Water Treatment Facility with resulting implementation of technological and infrastructure improvements to address emerging contaminants and water quality.	\$13,500,000	\$12,500,000			200,000	40

SOUTH CAROLINA
DWSRF SFY17 Provisional Project List

	SPONSOR Project Name	SRF Project Number	Project Description	Estimated Total Project Cost	Estimated SRF Loan Amount	Estimated Principal Forgiveness Assistance ¹	Estimated Green Project Reserve ₂ Amount	Population Affected by Project	Total Points
10	Clio, Town of Church and Ivey Street Water Main Replacement	3410002-01	Replacement of 3900 LF of cast iron water mains on Church and Ivey Streets and 10 fire hydrants.	\$265,900		\$265,900		942	35
11	Carlisle, Town of Carlisle Water System Improvements Phase 1	4410003-01	Recoating of interior of the water storage tank and installing an improved electronic control system.	\$38,000 ³		\$38,000		436	35
12	Donalds Due West Water & Sewer Authority Waterline Extension to Pinehurst Subdivision	0120001-03	Install ~7,940 LF of 6" waterlines, hydrants and other appurtenances to replace an aging distribution system and allow the Pinehurst Subdivision to connect to and be operated by Donalds Due West WSA.	\$565,000		\$565,000		121	35
13	Rock Hill, City of Rock Hill Water Treatment Plant and Lake Wylie Raw Water Intake Upgrade - Rehabilitation	4610002-09	Upgrade aging infrastructure to include: instrumentation upgrades, SCADA improvements, increase emergency power at Lake Wylie intake, rehabilitate sedimentation basins, improve energy efficiency for existing pumps, and address residual solids management.	see project 4610002-07	\$6,750,000 ⁴			118,000	20
			Total	\$98,428,900	\$69,200,000	\$1,598,900 ⁵			
			SFY 2017 Total of SRF Loan + Principal Forgiveness Loan Amounts		\$70,798,900				

1 Principal forgiveness funds are subject to change and are only available if the FY16 DWSRF Capitalization Grant is awarded by EPA and accepted by DHEC. Project listing is not a commitment of funding.

2 GPR projects are classified as "c" for categorical" or "bc" for business case. FY16 Appropriations do not require the DWSRF to identify GPR projects, however, South Carolina will try to identify at least 5% of the capitalization grant amount, or \$415,600 as GPR projects.

3 Project as listed on DW Comprehensive Priority List requests principal forgiveness (PF) funds water meters, however meters are not eligible for SC SRF PF assistance in SFY17.

4 At the time the FY16 DRAFT IUP was prepared the estimated amount available for an SRF loan for SRF 4610002-09 was less than the estimated eligible project cost of \$11,800,000. The loan amount available for this project could decrease or could increase up to the total eligible cost as a result of adjustments in the available balance of DWSRF funds as SRF loan administration progresses during SFY17.

5 In order to reach the required minimum amount of PF assistance (\$1,662,400), DHEC will identify additional eligible principal forgiveness (PF) costs for the PF projects listed above and/or identify another project or portion of a project to receive PF funding.

Response to Comments Received on the Draft FY16 DWSRF Intended Use Plan (IUP)

The only comments received on the FY2016 Draft DWIUP were provided in a letter from Upstate Forever, dated July 7, 2016. These comments focused on SRF procedure and policy as reflected in the IUP. DHEC's response to these comments are indicated in italics below.

Preamble to Comment 1 and Comment 2:

State Revolving Fund (SRF) programs were first required to incorporate EPA's Green Project Reserve (GPR) initiative as a provision of the American Recovery and Reinvestment Act (ARRA) of 2009. The GPR initiative identifies four categories of projects that qualify for GPR funding: green infrastructure, water efficiency, energy efficiency, and environmental innovation. In 2009, the ARRA required States to dedicate 20% of federal funds provided for SRF programs to green projects. Currently the Consolidated Appropriations Act, 2016 now only requires States to reserve at least 10% of funds for capitalization grants to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. However, many states have exceeded minimum reserve requirements by revising project Priority Ranking Systems (PRS) to reflect elements of the GPR, and providing additional financial subsidized offers to projects that qualify under GPR criteria. To date, the SC Department of Health and Environmental Control (SCDHEC) has yet to implement either of these strategies, which would increase project participation under GPR guidelines while helping the SC SRF programs achieve the goals set in both the Clean Water Intended Use Plan (CWIUP) and the Drinking Water Intended Use Plan (DWIUP).

The Consolidated Appropriations Act, 2016 requires State Clean Water (CW) SRF Programs to assign 10 % of capitalization funds to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities "to the extent there are sufficient eligible project applications and projects are consistent with State Intended Use Plans." The Act does not require the same for Drinking Water (DW) SRF, but leaves that to the State's discretion. The State has made available a lower interest rate to projects or portions of projects, in both the CWSRF and DWSRF programs, that have been determined to meet the criteria required to be funded through the Green Project Reserve. (See response to Comment 2, below.)

Comment 1

Updating the Priority Ranking System for both Clean Water and Drinking Water State Revolving Fund programs to include elements of the Green Project Reserve would encourage more projects that qualify under Green Project Reserve guidelines.

The Clean Water and the Drinking Water SRF programs' Draft IUPs both include a variety of goals, including: consolidating systems to achieve economies of scale, TMDL implementation, and promoting projects that address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. Upstate Forever supports the goals proposed in the Draft IUPs. However, while the Priority Ranking Systems award points for

projects that meet other goals listed in the IUPs they do not award points for project meeting GPR criteria. As such, Upstate Forever recommends the PRS for both SRF programs be revised to reflect elements of the GPR, which would encourage “green” projects and increase the likelihood of achieving all goals stated in the IUPs.

Revision of the Priority Ranking Systems (PRSs) takes place outside of the IUP process. However, the SRF currently incentivizes “green” projects by offering a lower interest rate to eligible green projects or green portions of projects. DHEC will consider this comment and issue when updating the PRSs in the future.

Comment 2

Providing additional subsidization programs for projects that meet GPR requirements would encourage increased participation and successful completion of projects that qualify under Green Project Reserve guidelines.

To encourage more projects that qualify under criteria for GPR, and to ensure these projects are successfully completed, the SRF programs and IUPs should include additional financial incentives, such as waiving closing fees, offering lower interest rates, extending loan periods, or forgiving the principal balance of the loan. The CWIUP includes a fee income to support Rural Infrastructure Authority and the Office of Local Government operating costs. Although it has not yet been published, the SCDHEC should consider waiving this fee for GPR projects.

Additionally, the SCDHEC could establish a “green” loan program for qualified projects that extends the loan period from 20 years to 30 years, as long as the period of the loan does not exceed the expected design life of the project. Alternatively, the “green” loan program could offer a 1.00% “Green Rate” for projects or portions of projects that meet GPR criteria or improve water quality by reducing nonpoint pollution. Finally, the SCDHEC could include a principal forgiveness loan program for projects that meet GPR criteria, or projects in priority watersheds.

The Rural Infrastructure Authority-Office of Local Government finalizes SRF interest rates, fees and loan policies in October of each year. This occurs outside the IUP process. Currently the SRF incentivizes “green” projects by offering a lower interest rate to eligible green projects or green portions of projects. Under current CWSRF guidance, a green project that has infrastructure with a 30 year useful life would be able to obtain a 30-year loan. (Note: Blended amortizations are provided for loans with differing terms.) DWSRF projects would not have the same consideration for a 30 year term. With regard to principal forgiveness (PF) DHEC’s current priorities for PF are to use funds where communities could not otherwise afford a loan, and to enable projects that improve the sustainability of a system through takeover by a larger sustainable system, thereby protecting public health and the environment.