



DRINKING WATER

Federal FY 2018 DWSRF Intended Use Plan For State FY 2019

FINAL

July 18, 2018

SCDHEC
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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) 2019 (July 1, 2018 through June 30, 2019) including federal funds allocated to South Carolina by the Consolidated Appropriations Act, 2018, and how those uses support the objectives of the SDWA in the protection of public health. South Carolina's allotment from the federal appropriations for federal fiscal year (FFY) 2018 is \$14,385,000. Eligibility for DWSRF loans and DWSRF program requirements, including any requirements of the applicable appropriations legislation are also included in the 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.

Once prepared, an 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. Update the State Revolving Fund Operating Agreement between EPA and South Carolina before the end of calendar year 2018.
2. Maintain a subcontract with a qualified vendor to provide technical assistance to small systems.

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. Assist local communities as they strive to achieve and maintain compliance with federal and state drinking water standards by funding projects that improve drinking water quality and protect public health.
3. Provide technical assistance to small systems to enhance sustainability and to achieve compliance with state and federal drinking water laws and regulations.
4. Support investment in green infrastructure, water and energy efficient improvements and environmentally innovative projects.
5. Maintain a working relationship with other infrastructure funding authorities within the state to coordinate water quality funding.
6. 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 ability to transfer funds between the Clean Water (CW) SRF and DWSRF as provided for by federal law. Fund transfers from the CWSRF to the DWSRF or from the DWSRF to the CWSRF will be done to assist in meeting the funding demands in the CWSRF and DWSRF. The law allows the SRFs to transfer an amount equal to 33% of each annual Drinking Water capitalization grant. SC SRF would transfer non-federal funds made available by loan repayments. The EPA will receive written notification prior to any transfers occurring.

Currently, the SC SRF has no plans to transfer funds between the CWSRF and DWSRF. Furthermore, at this time, the SC SRF is not planning to transfer funds from the CWSRF to the DWSRF in the amount of \$2,719,530 as described in the FFY 2017 DWSRF IUP.

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 SFY 2019.

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 (or construction approval letter), 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 FFY 2018 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 (PQ), DHEC 3463, found on the SRF Documents and Forms webpage, <http://www.scdhec.gov/srfforms>. A project sponsor may submit a completed PQ to the SRF section of DHEC's Bureau of Water at any time. Once the PQ 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 the 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 three years and does not proceed, DHEC staff will contact the sponsor and request that a revised PQ be submitted within 30 days that updates the cost estimate along with any changes to the project description. A revised PQ is scored to determine priority rank and remains on the Comprehensive Priority List. If DHEC does not receive a revised PQ, 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 SFY 2019. Ready to proceed in SFY 2019 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 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 SFY 2019 SRF project, a project must receive a construction permit, or letter of approval to construct, and submit a complete loan application to RIA/OLG by July 31, 2019. 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 submission of plans and specifications to obtain a construction permit or letter of approval to construct. For the projects listed in Appendix A, the project sponsor must meet these milestones to ensure funds will not be committed to other projects. DHEC will take into 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 promote 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 a UtSA within the previous three years, a 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). 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 accommodate 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 SFY 2019 are expected to be published by the RIA/OLG in early October 2018.

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 or letter of approval. 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. Eligibilities

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; and
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. For land with structures or other improvements, only the appraised value of the land is DWSRF loan eligible, not the appraised value of the land with the structures or improvements.

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 on eligible construction cost as follows: ten percent (10%) of the construction line item for the first \$10 million dollars of construction cost and five percent (5%) for the construction amount that exceeds \$10 million.
- The SRF program allows a contingency of two and a half percent (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, American Community Survey (ACS) data and median household income (MHI) for the applicant's entire service area will be considered. If the applicant meets the criterion as published in the SFY 2019 loan policies, 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 FFY 2018 federal appropriation is \$14,385,000.

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 \$14,385,000 DWSRF allotment, the RIA/OLG will deposit \$2,877,000 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 2019, the State will take 3% of the FFY 2018 capitalization grant, or \$431,550 for administration of the DWSRF program.

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, provided by DHEC staff or contractors, to small water systems that serve populations of less than 10,000 persons. DHEC will take 1.6% of its DWSRF allotment amounting to \$230,160 from FFY 2018 federal appropriations.

TA set-aside funds are used to fund a contract(s) with a TA provider 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. This year DHEC will take 5% or \$719,250 to fund the source water protection program. No funds will be set-aside from this year's grant for the well head projection program. Funds set-aside from previous DWSRF grants will be used to continue the work being performed by the well head projection program.

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 State Drinking Water Programs.

DHEC will take 7.3% or \$1,050,105 of the state's FFY 2018 allotment to use for public water system supervision (PWSS) program activities. PWSS funds help fund the State's drinking water program activities which are necessary to help ensure that public water systems are constructed, monitored, operated and maintained in accordance with federal and state laws and regulations.

G. Estimated Funds Available - State Fiscal Year (SFY) 2019

Estimated Amount of Funds to be available as of 6/30/18	-\$1,907,298
FFY 2018 federal capitalization grant	\$14,385,000
State match for FFY 2018 capitalization grant	\$2,877,000
Estimated SFY 19 repayments (7/1/18 to 6/30/19)	\$15,659,339
Estimated SFY 19 investment earnings (7/1/18 to 6/30/19)	\$1,200,000
Value of set-asides from FFY 2018 DWSRF capitalization grant	-\$2,431,065
Estimated Total Funds Available for SFY 2019 Loans	\$29,782,976

The estimated total funds for SFY 2019 loans may change from the figure quoted above due to the ongoing administration of SFY 2018 projects where bids have not been opened. It should be noted that the estimated total costs for projects identified for SFY 2019 DWSRF funds as shown in Appendix A is approximately twelve percent (12%) greater than the estimated total funds available as shown in the table above, \$29,782,976. Past experience in DWSRF program indicates that identifying projects for funding with total estimated costs slightly greater than the estimated funds available is reasonable due to projects being delayed or withdrawn and because most project funds actually will be spent in SFY 2020 and several years beyond SFY 2020. Therefore, any additional funds that may be needed for projects identified in this year's DWSRF IUP can be accounted for in future DWSRF IUPs.

H. Anticipated Cash Draw Ratio

Since the advent of requiring additional subsidy in FY 2010 – accomplished in SC through principal forgiveness - 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. Fee Income

A loan closing fee is charged to loan recipients to support RIA/OLG's operating costs. This fee is not eligible for inclusion in the loan.

The DWSRF SFY 2019 closing fee is expected to be published in early October 2018 on the RIA website, <http://www.ria.sc.gov/>.

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

Sponsors will be notified of all applicable federal requirements once their project is identified as a candidate for funding. Several federal requirements are required of all SRF loan recipients as follows:

- Environmental review of the project
- Compliance with Civil Rights Laws
- Davis-Bacon prevailing wage rates
- American Iron and Steel

Additional federal requirements are tied to the capitalization grant, and will be required of any project receiving a loan designated as being made with federal capitalization funds. These requirements include but are not limited to:

- Disadvantaged Business Enterprise compliance (DBE)
- Equal Employment Opportunity
- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards: Title 2 CFR, Parts 200 and 1500 ("Uniform Guidance" – governs single audit requirements)

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

B. Additional Subsidies

The Consolidated Appropriations Act, 2018, requires the SRF program to provide additional subsidies for eligible recipients. At least 20% of the capitalization grant will be used to provide additional subsidy. The SRF program may provide up to the maximum amount allowed by the SDWA, which is 30% of the capitalization grant.

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. The Utility Sustainability Assessment mentioned in section V.F. above is one tool used by the SRF to evaluate the technical, managerial and financial capacity of a potential SRF additional subsidy recipient. 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 promote sustainability. The sponsor may not be eligible for additional subsidies on future projects until the agreed upon operational changes

have been fully implemented. Additionally, systems desiring to be considered for principal forgiveness funds should not be delinquent on the submission of annual municipal audits as required by SC state law.

To make maximum benefit of additional subsidy funds provided as principal forgiveness (PF) for SFY 2019, no one sponsor 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 SFY 2019 on a preliminary basis. The SRF Program reserves the right to adjust PF amounts. PF funds are only available if EPA awards the FFY 2018 DWSRF Capitalization Grant and it is accepted by DHEC. Project listing is not a commitment of funding.

Potential principal forgiveness projects for SFY 2019, 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;
- Assist small systems with achieving compliance with state regulations; and
- Enhance the sustainability of small systems by fixing existing infrastructure.

C. Green Project Reserve (GPR)

The Consolidated Appropriations Act, 2018 encourages, but does not require, 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. DHEC would like to fund green project costs in an amount equal to at least 5% of the FFY 2018 capitalization grant, or \$719,250. Any project or project portion wanting to be considered for the GPR must submit documentation outlining the benefits of the green components of the project. DWSRF GPR Guidance is posted to the SRF Guidance webpage <http://www.scdhec.gov/srfguidance>.

At the time this IUP was drafted, no projects had been identified as qualifying for the GPR. It is possible that upon review of projects on the Provisional Projects List that GPR eligible project costs may be identified.

D. “American Iron and Steel” Requirement

The Consolidated Appropriations Act, 2018 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.

E. 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. Program data are entered into the DWSRF National Information Management System (NIMS) to produce annual reports that provide a record of progress and accountability for the program. EPA uses the information provided to develop reports to the US Congress concerning activities funded by the DWSRF program.

F. Public Participation

Notice of the draft IUP is e-mailed to each project sponsor on the Comprehensive Priority List of DWSRF Projects and other interested parties.

During the public notice period (30-day minimum), the notice and DRAFT FFY 2018 DWSRF IUP are posted on the DHEC Website, <http://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.

The Draft FFY 2018 DWIUP was posted to the DHEC website on May 31, 2018. Notice of the Draft IUP was sent to SRF contacts, DHEC watershed stakeholders and included in communications to members of S.C. Rural Water Association and the Municipal Association of S.C.. Comments were accepted until 5:00 pm on July 2, 2018.

Two letters containing comments were received. Responses to these comments appear in Appendix B.

SOUTH CAROLINA
DWSRF SFY 2019 Provisional Project List*

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	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 Amount ²		Population Affected by Project	Total Points
1	Williams, Town of Elevated Water Storage Tank Improvements	1510003-01	Renovate the interior of the Town's elevated storage tank to address a DHEC Consent Order and improve various tank appurtenances.	\$175,000		\$175,000			110	130
2	Wagener, Town of Staley Well Pump Replacement	0210004-01	Replace a failed well pump, and appurtenances as required.	\$25,000		\$25,000			1,081	95
3	Bethune Rural Water Company Generators at System Wells	2820006-02	Install generators at each of the system's four wells.	\$208,000		\$208,000			3,600	90
4	Pamplico, Town of Water Treatment Facility Improvements	2110010-06	Install generators at the Town's two water treatment facilities. Also additional drainage improvements, building repairs, site security upgrades and removal of an old alum feed system.	\$421,000		\$421,000			1,447	90
5	GSWSA Bull Creek/ Myrtle Beach Water System Interconnection Phase 3	2620004-25	Construction of pumping station and 8,400 LF of 36" pipeline to interconnect the Myrtle Beach water system and the Bull Creek water system to ensure water supply for the coastal region in the event of an extreme weather event.	\$4,000,000	\$4,000,000				309,000	80
6	Folly Beach, City of Aquifer Storage and Recovery (ASR)	1010005-02	Replace existing underground storage with ASR storage of ~ 30 million gallons to provide up to 30 days of potable water in event of a break in the supply line to the island.	\$1,200,000	\$900,000				30,000	80
7	Jefferson, Town of Elevated Water Tank Renovation	1310005-02	Paint removal and repainting of interior of 400,000 gallon elevated tank interior. Exterior surface to be renovated, which requires lead paint abatement .	\$350,000		\$350,000			753	30
8	Valley Public Service Authority Warrenville Water Improvements - Phase 1	0220012-08	Replace 70 year (+) old water system that consists of 4", 6" & 8" cast iron and asbestos cement pipe to address low pressures and areas of poor flow.	\$642,222		\$642,222			181	30
9	GSWSA Hwy 701 to Hwy 544 Water Transmission Line Improvement	2620004-24	Installation of~ 28,500 LF of 48" 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.	\$19,500,000	\$12,600,000				325,000	20
10	BJWSA Highway 170 36" Water Main Extension	0720003-19	Extend existing 36" waterline ~11,000 feet to improve pressure and water quality for areas of Beaufort Co. and address reduced pressure conditions on Hilton Head Island.	\$8,250,000	\$8,250,000				50,000	20
11	Mount Pleasant Waterworks Replacement of Deep Well 2	1010002-09	Construct the surface facility for a new well to replace the source well for ROWTP 2, which is off-line after Deep Well 2 began producing sand and corroded materials.	\$6,000,000	\$2,000,000				24,215	20

SOUTH CAROLINA
DWSRF SFY 2019 Provisional Project List*

JULY 18, 2018
FINAL

	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 Amount ²		Population Affected by Project	Total Points
12	Camden, City of Kirkwood, Ancrum, & Ehrenclou Community Water Improvements	2810001-05	Replace old cast iron and asbestos cement water lines in the Kirkwood Community and increase any 2" lines. Extend an existing line to loop the waterline in the Ehrenclou area to provide better pressure and water quality.	\$804,200	\$804,200				650	20
13	Berkeley County Water and Sanitation Jedburg Road - I-26 Interchange Improvements	0820002-08	Relocation of drinking water lines due to highway widening.	\$2,526,788	\$2,526,788				68,362	10
			Totals: New Projects	\$44,102,210	\$31,080,988	\$1,821,222 ³				
			SFY 2019 Total of SRF Loan + Principal Forgiveness Loan Amount		\$32,902,210					

Note: During the comment period on the draft 2018 DW IUP one Sponsor requested their project be withdrawn from consideration for an SRF loan. Therefore the project (3020001-05) was removed from the SFY 19 Provisional Projects List. The estimated SRF loan amount for project 1010002-09 was reduced from \$2.2 Million to \$2 Million.

* Projects that appear on the Provisional Project List are ranked based on priority for funding. However a loan offer is dependent on the financial capacity of the sponsor, which may not have been evaluated to date.

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

2 FY18 federal appropriations do not require the DWSRF to identify GPR projects, however, South Carolina will try to identify at least 5% of the expected capitalization grant amount, or \$719,250, as GPR eligible (see Section X.C. of the DWSRF IUP). Projects on this Provisional Project List have not submitted documentation, but may qualify in whole or in part for the GPR. If any projects are identified as GPR eligible the project or portion of the project will be reported in the DWSRF SFY19 Annual Report.

3 DHEC will identify additional projects to cover at least the required minimum amount of additional subsidy of \$2,877,000.

Response to Comments Received on the Draft Federal FY 2018 DWSRF Intended Use Plan (IUP)

Comments on the FY2018 Draft Drinking Water Intended Use Plan (DWIUP) were received in two letters, one from Upstate Forever, dated July 2, 2018 and the other from Save Our Saluda/Naturaland Trust dated July 2, 2018. The comments relate to SRF procedure and policy as reflected in the IUP. The main points of each comment are reproduced below with DHEC's response in italics.

Upstate Forever Comments Letter Dated July 2, 2018

Comment

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 (GPR) guidelines.

Response

Revision of the Priority Ranking Systems (PRs) takes place outside of the IUP process. However, the SRF currently incentivizes "green" projects by offering a lower interest rate to eligible borrowers for green projects or green portions of projects. In addition, the SRF has a lower interest rate under the Clean Water (CW) SRF for nonpoint source projects that incorporate more than 50% best management practices. Best management practices typically are "green" practices (e.g., bioswales) and do not include conventional stormwater management infrastructure such as hardscape and piping. DHEC will consider this comment and issue when updating the PRs in the future.

Comment

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.

Response

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. As previously mentioned, the SRF incentivizes "green" projects by offering a lower interest rate to eligible borrowers on eligible green projects or green portions of projects and a lower interest rate under the CWSRF for nonpoint source projects that incorporate more than 50% best management practices. 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. Drinking Water (DW) SRF 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 for public utilities and communities that cannot afford a loan and need to address infrastructure problems to protect public health and the environment.

Comment

Offering Bypass Procedure for Green Reserve Projects for DWSRF would encourage additional GRP projects.

Response

The DWSRF is a financial assistance program to help water systems to achieve the health protection objectives of the Safe Drinking Water Act for the existing population. Projects that align with that purpose are the primary focus of DWSRF funding. The GPR is not a legislated requirement for the DWSRF as it is for the CWSRF, but RIA-OLG continues to offer an incentive interest rate for drinking water projects that incorporate green practices. Given the mandated purpose for the DWSRF, bypassing for the GPR is not used in the DWSRF.

Comment

Funding for land purchases in the DWSRF should be expanded to include the purchase of those lands needed for the protection of drinking water sources.

Response

SC SRF recognizes the benefits of land acquisition in protecting drinking water quality. However, as set forth in the 1987 amendments to the Safe Drinking Water Act for the SRF loan program costs for acquiring land are eligible only if the land is needed to locate eligible project components. "The funds shall not be used for the acquisition of real property or interests therein, unless the acquisition is integral to a project authorized by this paragraph and the purchase is from a willing seller." 42 U.S.C. §300j-12.(a)(2)

Comment

CWSRF should not be used for the expansion of wastewater treatment systems in anticipation of future growth as this will contribute to sprawling development patterns across the state.

Response

The CWSRF is a financial assistance program to help wastewater providers, municipalities, and states to address priority water quality needs. Growth only projects are allowed under the CWSRF. However, SC SRF does not prioritize projects that expand wastewater systems in anticipation of future growth. In SC, if the majority of the cost for a proposed project is for growth, the project will receive zero priority points and will rank last in order of priority. That said, EPA expects CWSRF funds to be fully utilized so in the absence of fundable projects with priority points SC SRF will fund projects with zero priority points.

Comments continue on next page

SOS/Naturaland Trust Comments

Letter Dated July 2, 2018

Comment

We respectfully request that future eligibility be extended to include nontraditional nongovernmental organizations or other private entities that can partner on various conservation and pollution mitigation projects.

Response

SC SRF recognizes the benefits of conservation and pollution mitigation for water quality. However, limitations on the eligibility of SRF recipients comes from federal law:

Safe Drinking Water Act - "Except as otherwise authorized by this subchapter, amounts deposited in a State [DW] loan fund, including loan repayments and interest earned on such amounts, shall be used only for providing loans or loan guarantees, or as a source of reserve and security for leveraged loans, the proceeds of which are deposited in a State loan fund established under paragraph (1), or other financial assistance authorized under this section to community water systems and nonprofit noncommunity water systems, other than systems owned by Federal agencies." (42 U.S.C. §300j-12(a)(2))

Clean Water Act - The amounts of funds available to each State water pollution control revolving fund shall be used only for providing financial assistance-(1) to any municipality or intermunicipal, interstate, or State agency for construction of publicly owned treatment works (33 U.S.C §1383(c))

However, these limitations would not prevent SC SRF eligible sponsors from partnering with other organizations to implement a project that meets the eligibility requirement under the Clean Water SRF or Drinking Water SRF.

Comment

We also respectfully request that future SRF plans exclude any barriers that may exist, such as land eligibility requirements, and include incentives for nontraditional and innovative cooperative strategies to encourage the use of SRFs for funding green infrastructure, land conservation and watershed protection and restoration projects.

Response

SC SRF understands the benefits of watershed protection and restoration. However, the goals and requirements set forth in SRF Intended Use Plans are based on requirements presented in enabling federal legislation and program guidance. These federal directives limit the opportunities for direct preservation of natural lands using SRF funds. That said, land can be purchased under the Clean Water SRF if there is a water quality benefit that can be demonstrated and the project receives sufficient priority points to obtain funding in a given year. To incentivize these types of projects, the SRF has a lower interest rate under the Clean Water SRF for nonpoint source projects that incorporate more than 50% best management practices. Best management practices typically are "green" practices (e.g., bioswales) and do not include conventional stormwater management infrastructure such as hardscape and piping. Also, in recognition of the importance of watersheds, funds set-aside from annual Drinking Water SRF grants have been and are being used to fund the development of watershed-based plans through the SC §319 Nonpoint source program.