

State Revolving Loan Fund

**South Carolina
Clean Water
State Revolving Fund**

**FY14 CWSRF
Intended Use Plan
for State FY15**

DHEC
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FINAL**

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I. Introduction

In 1987, Congress amended the federal Clean Water Act (CWA) authorizing the Clean Water State Revolving Fund (CWSRF), a low interest loan program, to assist public entities with the financing of publicly owned treatment facilities (Section 212) and non-point source management activities (Section 319). The 1987 CWA Amendments authorized the US Environmental Protection Agency (EPA) to award capitalization grants to states to provide seed money for the low interest loan program. While the 1987 Amendments only authorized funding for the first several years of the loan program, Congress continues to provide funding as part of its annual appropriations.

This Intended Use Plan (IUP), required under the CWA, describes how South Carolina intends to use available SRF funds for State Fiscal Year (SFY) 2015 – July 1, 2014 through June 30, 2015 - including federal funds allocated to South Carolina from the Consolidated Appropriations Act, 2014 (P.L. 113-76). South Carolina's allotment from the federal appropriations is \$14,364,000.

The South Carolina Department of Health and Environmental Control (DHEC) is the designated state agency to apply for and administer the capitalization grant for the CWSRF. The State Budget and Control Board (BCB) Office of Local Government conducts financial functions of the CWSRF, establishes financial policies and executes loans with project sponsors.

The Consolidated Appropriations Act, 2014 requires the CWSRF to provide additional subsidization, to fund projects that qualify for the green project reserve, to apply Davis Bacon requirements, and to apply "American Iron and Steel" requirements to all projects funded by the CWSRF. These requirements will be addressed later in this IUP.

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 IUP are accepted. After considering comments received, the IUP is finalized and posted on DHEC's website at <http://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 infrastructure and help ensure maximum environmental and public health benefits.

A. Short Term Goals

1. Promote the use of green practices and continue investment in green infrastructure, water and energy efficient improvements and environmentally innovative projects.
2. Work with potential sponsors to encourage and facilitate submission of eligible projects that are ready to proceed and to guide those projects toward binding commitments within one year of placement on the IUP.
3. Total Maximum Daily Load (TMDL) implementation through initiation (and completion) of projects that have received priority ranking points for a proposed project scope that reduces the level of a targeted pollutant or pollutants in a waterbody with an approved TMDL.

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 water quality standards by funding projects that improve or protect water quality by reducing pollutant loading in order to attain water quality standards.
3. Maintain a working relationship with other infrastructure funding authorities within the state to coordinate water quality funding.
4. Work collaboratively to direct CWSRF funds to areas where additional DHEC and EPA resources are already invested (i.e. Priority Watersheds and 319 grants).
5. Maintain the fiscal integrity of the CWSRF 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 CWSRF and DWSRF program as provided for by federal authority. The ability to transfer funds from prior and current grants can assist in meeting demand for CWSRF and DWSRF funding.

In SFY 2015 \$2,918,850 will be transferred from CWSRF to the DWSRF. This amount is the maximum transfer amount allowed and is equal to 33% of the FY14 DW Capitalization Grant. The transfer funds are non-federal funds made available by loan repayments and interest on the CW fund balance. This transfer will help meet the demand for DW funds without adversely impacting the CW fund.

IV. Selected Projects List

The Clean Water Selected Project List (Appendix A) lists projects that are considered to be fundable in the 2015 State Fiscal Year. It consists of projects that the SRF program has been working with and projects whose sponsors have indicated readiness to proceed during the 2015 State Fiscal Year. If the total cost for the projects contained on the SFY 2015 Selected Project List is less than the funds available to loan for SFY 2015, any eligible sponsor with a project that they believe is eligible and for which a complete loan application (including an approved Preliminary Engineering Report and construction permit) would be in-hand by July 31, 2015 may fill out and submit for ranking a Clean Water Project Questionnaire (DHEC Form 3561). DHEC-3561 is available on the SRF Documents and Forms webpage, <http://www.scdhec.gov/srfforms>.

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 successful credit review by the BCB. The availability of a loan from the BCB will be based on the project sponsor's financial capacity and its ability to afford repayment on the requested amount of debt.

The Selected Project List includes projects that have been identified to receive principal forgiveness funds. These funds are only available if the FY14 CWSRF 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 SRF uses an integrated priority system for ranking section 212 treatment work projects as well as eligible nonpoint source projects. 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 CWSRF Projects

For a project to be considered for funding from the CWSRF, it must appear on the State's Comprehensive Priority List of CWSRF Projects. To be included in this list, an eligible project sponsor (municipalities, counties or special purpose districts) must complete a project questionnaire, DHEC-3561. DHEC-3561 may be 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 CWSRF Priority Ranking System and assign the project a numeric score. The project is then added to the Comprehensive Priority List of CWSRF Projects in rank order. Any projects with the same numerical score are ordered based on how the project addresses water quality priority issues (1st – score for “implement an approved TMDL”, 2nd – score for “impairment(s) addressed on current 303d list”) and date project questionnaire 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 is not ready to proceed, DHEC staff will contact the sponsor and request that a revised project questionnaire be submitted which updates the cost estimate along with any changes to the project description. If DHEC does not receive a revised project questionnaire, the project will be removed from the comprehensive priority list.

C. Selection of Projects for Funding

The selection of projects for funding is based on the projects' ranking and the sponsors' readiness to proceed at the time the IUP is drafted. A project is considered ready to proceed if the sponsor expects, by July 31, 2015 to have received a construction permit from the SRF Section and to have submitted a complete SRF loan application to the BCB. In the event the BCB receives complete applications for two or more projects on the same day, the highest-ranked project(s) will receive priority for funding. For large projects, DHEC and BCB reserve the right to impose a limit on the amount of any given CWSRF loan, regardless of ranking, and to consider a sponsor's ability to obtain financing from other sources.

D. Bypass Procedure

DHEC may bypass projects on the Comprehensive Priority List:

1. To fund a project where a viable system owner is willing to assume ownership of a non-viable or abandoned system;
2. To select Green Project Reserve eligible projects that equal at least \$1,436,400;

3. To address an imminent hazard to public health declared by DHEC, and;
4. To fund projects that will eliminate a point source discharge, which is violating effluent limits, and connect to a regional system.

E. Adding Projects to the Selected Project List

The projects in Appendix A are listed based on readiness to proceed and other factors. The listing does not preclude the opportunity for other projects to receive funding in SFY 2015. (See also, Section V.F.) All prospective project sponsors are encouraged to contact DHEC as soon as possible to add their projects to the Comprehensive Priority List and be considered for funding in SFY 2015.

F. Readiness to Proceed

To promote an expeditious use of funds, sponsors of projects on the SFY 2015 Selected Projects List will have until April 1 to receive a construction permit and submit a complete loan application to insure funding priority. After April 1, loan applications will be accepted on a first-come, first-served basis until the available funds are exhausted or until July 31, whichever occurs first.

G. Sustainability Requirement

The CWSRF will not provide any type of assistance to a project sponsor that lacks the technical, managerial or financial capability to operate sustainably, unless the sponsor agrees to undertake feasible and appropriate changes in operation or if the use of the financial assistance from the CWSRF will ensure compliance over the long-term.

Sponsor sustainability is evaluated using DHEC's Utility Sustainability Assessment (UtSA) (DHEC form 0574). The UtSA is a written system assessment that includes operational issues, managerial issues and limited financial information. Additional financial assessment is performed by the BCB as part of the loan application process.

H. Funding Terms and Rates for Eligible Projects

Funding for projects eligible to participate under the CWSRF usually have a term of no longer than 20 years at an interest rate published by the BCB in October. Limited opportunities are available for extended term financing in disadvantaged community systems and for refinancing existing debt according to parameters defined in the financial loan policies issued by the BCB.

Interest rates are classified as standard, small system, hardship, green (including non-point source), or takeover rate. Visit the BCB website, <http://www.olg.sc.gov/programs.aspx>, to view current rates, find out more about the loan program and information about costs, and qualifications for receiving an SRF loan. Rates for SFY2015 are expected to be published by the BCB in early October 2014.

I. Complete Loan Application

Sponsors of selected projects apply to the BCB for SRF loan financing. Loan applications are accepted from October 1 through July 31. In the event the BCB receives complete

applications for two or more projects on the same day, the highest-ranked project(s) will receive priority for funding.

The sponsor of a project receiving a 100% principal forgiveness loan must contact DHEC to determine required application information.

The issuance, by DHEC, of a *Permit to Construct* (as a CWSRF project), *which includes a completed environmental review*, is required before a loan application is considered complete.

VI. Eligibility Criteria

A. Eligible Sponsors

Municipalities, counties, and special purpose districts under Title 33, Chapter 36 of the Code of Laws of South Carolina are eligible SRF project sponsors.

B. Water Quality Management (WQM) Plans

Pursuant to Section 208 of the Clean Water Act, Section 212, CWSRF projects must not conflict with the applicable Water Quality Management (WQM) plan. The sponsor of a CWSRF project must be a designated management agency, which is any municipality, county or special purpose district that accepts the responsibilities associated with implementing an applicable WQM plan. The management agency designation process may be pursued concurrently with the CWSRF project if necessary. More information about management agency responsibilities and the designation process can be found in the 208 Water Quality Management Plan for the Non-designated Area of South Carolina.

C. Land

As of October 1, 2014 the expanded definition of “treatment works” set forth by the Water Resources Reform and Development Act will apply and provide that the construction of a CWA Section 212 “treatment works” project includes acquisition of the land necessary for construction. Final guidance from EPA will determine the land that is eligible under this definition for participation for CWSRF projects. In the CWSRF program land may be acquired under proper eminent domain procedures where necessary.

D. Planning and Design Costs

A CWSRF 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, 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 BCB are eligible for funding under the CWSRF 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. Legal and appraisal costs associated with obtaining land are not eligible for funding under the CWSRF program if incurred earlier than one year prior to the date of submission of a complete loan application.

F. Construction Costs

Construction costs include the costs associated with the construction of the project by a contractor. The CWSRF 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 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 Clean Water SRF program. Additionally, force account labor is not eligible.

Service connections are eligible for funding from the SRF but only that portion of a service connection that will be owned and maintained by the project sponsor and installed as part of an SRF funded sewer line project.

G. Contingencies

- The SRF program allows a contingency of 10% of the construction line item.
- 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 CWSRF 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 CWSRF-eligible, any such phase or segment must be of reasonable scope 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 or segment or another 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 Not Eligible for Funding

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

1. Projects for systems that lack adequate technical, managerial and financial capability (i.e. non-viable systems);
2. Projects exclusively correcting operation and maintenance deficiencies;

3. Projects for systems in NPDES noncompliance, unless funding will ensure compliance.

VII. Funds Available

A. Amount of Capitalization Grant

South Carolina's allotment from the FY 2014 federal appropriations law is \$14,364,000.

B. State Match Requirement

One condition of receiving the annual capitalization grant allotment is the State must deposit into the CWSRF an amount equal to at least 20% of the total amount of the capitalization grant. The BCB will deposit to the CWSRF fund the required amount of \$2,872,800 to comply with the state match requirement.

C. Administration of the CWSRF Program

The CWA allows each state to use an amount equal to 4% of its capitalization grant to fund the administration of the CWSRF program. DHEC plans to retain the authority to use four percent (4%) of its capitalization grant amount (\$574,560) plus draw \$50,440 from unused CW administration funds to provide a total of \$625,000 for program management, including hiring staff, paying operational expenses and providing technical assistance to potential loan applicants.

The BCB has allocated up to \$50,000 of its non-program income funds to contract with South Carolina Rural Water Association or other entities to provide capacity building assistance to publicly owned treatment works. Priority for such assistance will be 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.

D. Total Funds Available for Loans for State FY 2015

Estimated funds available as of 6/30/14	\$235,544,063
FY 2014 federal capitalization grant	\$14,364,000
State match for FY 2014 capitalization grant	\$2,872,800
Estimated SFY 15 repayments (7/1/14 to 6/30/15)	\$32,657,210
Estimated SFY 15 investment earnings (7/1/14 to 6/30/15)	\$4,800,000
Estimated amount of SFY 14 loans to be closed	(\$25,500,000)
Expected transfer of funds to DWSRF fund ¹	(\$2,918,850)
CWSRF Administrative set-aside	(\$625,000)
Estimated Total Funds Available for SFY 2015 Loans	\$276,050,982

¹ Expected transfer of repayment funds to SC's Drinking Water SRF fund as allowed by federal authority against the FY 14 Drinking Water Capitalization Grant.

E. 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 CW fund and fully expended before then drawing federal money at 100%.

F. Interest Rates

Interest rates are classified as standard, small system, hardship, green (including non-point source), or takeover rate. Visit the BCB website, <http://www.olg.sc.gov/programs.aspx>, to view current rates, find out more about the loan program and information about costs and qualifications for receiving an SRF loan. The BCB expects to publish rates for SFY2015 in early October 2014.

G. Fee Income

A loan closing fee of 0.25% of the amount borrowed is charged to loan recipients to support CWSRF operating costs. This fee is not eligible for inclusion in the loan. The fee income is used to cover the costs of administration by paying for BCB Office of Local Government operating costs. Fees collected on Clean Water loans are estimated to be \$100,000 for SFY 2015.

H. Amended FY 2013 IUP

The FY 2013 CWIUP (for FY13 Capitalization Grant) was amended in April 2014 to account for funds transferred from the CWSRF to the DWSRF against the FY 2013 DW grant amount as allowed by federal authority.

VIII. 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 CWSRF 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 CWSRF in an expeditious and timely manner.

IX. Additional Information / Requirements

A. Federal Requirements

Various federal requirements are tied to the capitalization grant, and will be required of any project receiving a loan made with federal capitalization funds. Projects proceeding with principal forgiveness, projects that are slated to receive a portion of their funds from other federal sources and other projects that are designated as federal after publishing of the Final IUP must meet federal requirements. These requirements are:

- Federal Environmental Crosscutters
- Disadvantaged Business Enterprise compliance (DBE)
- Single Audit Act (OMB A-133)
- Federal Funding Accountability and Transparency Act (FFATA) reporting

B. Davis Bacon

In the Consolidated Appropriations Act, 2012 (P.L. 112-74) Congress made Davis-Bacon Requirements applicable to the CWSRF to include FY12 and all future years. This means Davis-Bacon prevailing wage rates apply to all projects funded in whole or in part by the CWSRF. Davis-Bacon applies to construction contracts over \$2,000. Davis Bacon applies to construction contracts over \$2,000 that meet the definition of treatment works as defined in the CWA, Section 212; Davis-Bacon may not apply to some nonpoint source projects.

C. Additional Subsidies

2014 federal appropriations require the SRF program to provide additional subsidies. At least \$781,655 will be used to provide additional subsidies, which DHEC will award as principal forgiveness; however, the SRF program may provide up to the maximum amount allowed by the Act, which is \$1,172,483.

Congress and EPA asks that states direct the additional subsidy funds to projects in communities that cannot otherwise afford a loan and to enhance sustainability by fixing existing infrastructure. EPA also expects the SRF program to ensure the project's sponsor has the technical, managerial and financial capability to maintain compliance, or that the sponsor agrees to undertake feasible and appropriate changes in operation that will ensure long term sustainability.

Due to the limited amount of principal forgiveness funds for SFY 2015, no one project may receive more than \$500,000 of this subsidy unless principal forgiveness funds remain unassigned or are not committed to an identified project as expected.

Principal forgiveness projects funded through the FY14 capitalization grant will be chosen to maximize the use of limited funds while encouraging the following priorities:

- To enhance the sustainability of small systems by fixing existing infrastructure.
- To enable systems to provide infrastructure needed to handle septic tank and/or restaurant grease trap waste at publicly owned treatment facilities.
- Where a viable system owner is willing to assume ownership of a non-viable or abandoned system.
- To provide a solution to groundwater contamination problems from the discharge of wastewater effluent or sludge.

Principal forgiveness funds are only available if the FY14 CWSRF Capitalization Grant is awarded by EPA and accepted by DHEC. Project listing is not a commitment of funding.

D. Green Project Reserve (GPR)

To the extent that there are eligible projects, funds equal to an amount of at least 10% of the FY2014 allotment must be used for green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. South Carolina's GPR amount is \$1,436,400. EPA's GPR guidance has been posted to the SRF Guidance page within the SRF Section of the DHEC Website at <http://www.scdhec.gov/srf>. At the time this IUP was finalized one project had been identified as partially qualifying for the GPR, with an estimated value of \$1,000,000. To reach the minimum of 10%, projects currently on the Selected Project List will be reviewed to see if any qualify for the GPR and projects will continue to be solicited for SFY15 to be GPR eligible projects.

Projects that are deemed eligible for the GPR may receive an interest rate of 1% for the project or the portion of the project that is green. 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 to the SRF Guidance page of the SRF section of the DHEC website.

DHEC reserves the right to move any GPR eligible water efficiency projects from the Drinking Water SRF program to the CW program and provide funding out of the CWSRF as allowed under GPR Guidance.

E. "American Iron and Steel" Requirement

The Consolidated Appropriations Act, 2014 requires that all iron and steel products used in SRF projects permitted after January 17, 2014 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) website: http://water.epa.gov/grants_funding/aisrequirement.cfm.

F. Environmental Outcomes and Measures

DHEC will update EPA's Clean Water Benefits Reporting (CBR) database and enter data into the CWSRF National Information Management System (NIMS). CBR collects project level information and anticipated environmental benefits associated with CWSRF projects, while NIMS produces annual reports that provide a record of progress and accountability for the program. EPA uses the information provided to oversee the CWSRF State programs and develop reports to the US Congress concerning activities funded by the SRF program. For more information, go to EPA's Clean Water SRF Performance Webpage, http://water.epa.gov/grants_funding/cwsrf/cwnims_index.cfm.

G. Public Participation

A "Notice of Availability" of this draft IUP is mailed or e-mailed to each project sponsor on the comprehensive priority list and other interested parties. In addition, a notice is published in The State, The Greenville News, The Post and Courier, and the Sun News newspapers. During the public notice period, the notice and draft FY 2014 IUP are posted on the DHEC Website, <http://www.scdhec.gov/srf>. Interested parties are invited to review the documents and submit written comments regarding the draft IUP by the deadline established in the "Notice of Availability."

The draft CWIUP was posted to the DHEC Website on May 14, 2014 and a legal advertisement was published in the above-mentioned papers on May 18, 2014. The public notice period lasted at least 30 days, until 5:00 pm on June 18, 2014

Comments received on the FY2014 Draft CWIUP requested project additions, review of scoring for Beaufort Jasper Water and Sewer Authority's "Hardeeville WWTP Upgrade and Expansion" (SRF #520-29), evaluation of SRF procedures reflected in the IUP and for DHEC to apply for (and accept) the FY 2014 Capitalization Grant from EPA. These comments have been addressed by adding projects to the Selected Project List (Appendix A), reevaluating the scoring of SRF#520-29, through written response found in the attached Appendix B and by intending to apply for and accept the FY 2014 Capitalization Grant. Additionally the increased eligibility of land for Section 212 projects, as codified in the Water Resources Reform and Development Act, was addressed in Section VI.C of this IUP.

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Selected Projects List for State Fiscal Year 2015

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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 credit review by the BCB. The availability of a loan from the BCB will be based on the project sponsor's financial capacity and its ability to afford repayment on the requested amount of debt.

	Sponsor & Project	DHEC Project Number	Project Description	NPDES Number(s) Associated with Project	Total Project Cost Estimate	Estimated SRF Loan Amount	Estimated Principal Forgiveness Assistance ¹	Estimated Green Project Reserve Amount ²	Total Points
1	Clover, Town of Town of Clover Sewer System Rehab	402-10	Install a new bar screen and rehabilitate the air diffuser system at an existing lift station to reduce nitrogen levels at the discharge to the Gastonia, NC WWTF. Also rehabilitation or replacement of ~1,340 LF of sewer line in four locations to reduce infiltration and inflow.	NC0074268	\$ 324,000	\$ 324,000			80
2	Darlington, City of Bypass Sewer for Hartsville Oil Mill	500-03	Construction of 2 sewer lift stations and ~ 10,500 linear feet of PVC force main (6" & 8") and 200 linear foot of gravity sewer to allow an industrial discharge to be pumped to City of Florence WWTP.	SC0039624	\$ 1,000,300	\$ 372,880			70
3	Pickens County Pickens County Septage Receiving Center	592-19	Upgrade of septage receiving station to reduce the potential for negative impacts on the 18-Upper Regional WWTF.	SC0042994	\$ 557,650		\$ 500,000		60
4	Taylors Fire and Sewer District Sewer Improvements/Taylors Mill Village	702-05	Replace aging sewer collection system with a high potential of failure by installing ~5,930 linear feet of new sewer line and replacing an aerial crossing over the Enoree River.		\$ 2,000,000	\$ 2,000,000			60
5	Laurens County WSC North Creek Lift Station Rehabilitation	540-11	Replace existing pumps, valves, and interior piping of lift station. Replace pump motor and level controls. Add standby power generator. Rehab existing concrete wetwell and drywell.	SC0037974	\$ 400,000	\$ 400,000			60
6	Florence, City of Timmonsville Sewer System Improvements -Phase 2	378-23	Continue collection system rehabilitation to assist takeover and complete WWTP rehabilitation/upgrade to include lagoon liner replacements, disposal of WWTP primary lagoon solids, rebuild influent pumps, headworks improvements and SCADA improvements.	SC0025356	\$ 4,000,000	\$ 4,000,000			50
7	Newberry County W&SA Newberry Shores WWTP Elimination	706-02	Construction of ~51,000 LF of sewer force main and 2 duplex pump stations to eliminate the Newberry Shores WWTP and tile field where nearby groundwater monitoring wells are showing elevated nitrate levels.	ND0060577 SC0048313	\$ 1,902,464	\$ 1,402,464	\$ 500,000		50
8	East Richland County Public Service District New 64-inch Interceptor Sewer	524-26	Installation of a new 64-inch interceptor to replace aging parallel 54-inch and 42-inch interceptors.	SC0038865	\$ 3,500,000	\$ 3,500,000			50
9	Lyman, Town of Lyman WWTP Upgrade- phase 1	462-07	Rehabilitate/repair or replace 15" gravity sewer influent line to the WWTP; headworks upgrade to include adding grit removal and a septage receiving station; removal of the old sludge digester basin.	SC0021300	\$ 3,550,000	\$ 3,500,000	\$ 50,000		40

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Selected Projects List for State Fiscal Year 2015

	Sponsor & Project	DHEC Project Number	Project Description	NPDES Number(s) Associated with Project	Total Project Cost Estimate	Estimated SRF Loan Amount	Estimated Principal Forgiveness Assistance ¹	Estimated Green Project Reserve Amount ²		Total Points
10	Greenwood Metro. Dist. Sample Branch Phase 1 Trunk Line Replacement	368-22	Installation of 8,000 Lf of 24" gravity trunk sewer to replace 12" and 15" 100-year old pipe.	SC0021709	\$ 2,100,000	\$ 2,100,000				40
11	Ware Shoals, Town of Ware Shoals Septage Receiving Station	537-02	Installation of a septage receiving station including a fine screen mesh at the Ware Shoals WWTP.	SC0020214	\$ 108,632		\$ 54,316			40
12	GSWSA Force Main from Pee Dee to City of Marion	381-74	Installation of s sewer pump station and 12" force main to serve an industrial site.	SC0046230	\$ 3,600,000	\$ 3,600,000				30
13	Mount Pleasant, Town of Snee Farm Stormwater Rehabilitation Project	511-40	Survey and design stormwater rehabilitation work; replace and improve lake outfall structure; rehabilitate/replace drainage pipe for flood mitigation; restore/stabilize primary drainage canals; clean, inspect, rehabilitate/replace drainage pipe.	SCR031906	\$ 8,481,083	\$ 8,481,083				20
14	BJWSA Hardeeville WWTP Upgrade and Expansion	520-29	Upgrade the Hardeeville Wastewater Treatment Plant to comply with the new Savannah River TMDL to be accomplished by upgrading the plant's secondary treatment process by adding a new headworks, and additional oxidation ditch with anoxic basin.	SC0034584	\$ 19,700,000	\$ 19,700,000				20
15	Lockhart, Town of SC Hwy 9 - Sewer Force Main Relocation	721-03	Replacement and relocation of 6" force main due to DOT bridge replacement. Upgrade of lift station pump to handle flows in relocated force main.	SC0003051	\$ 195,000	\$ 195,000				20
16	Lane, Town of Sewer Line Expansion	770-02	Providing sewer to the unsewered east side of town, where residents currently rely on septic systems with a high potential for failure.		\$ 3,700,000	\$ 3,700,000				20
17	Mount Pleasant, Waterworks Capacity Management, Operations, and Maintenance - Rehab/Replacement Program	511-41	Replacement or rehabilitation of ~171,362 LF of clay sewers located through the MPW collection system using wither CIPP or cut and replace.	SC0040771	\$ 11,272,137	\$ 11,272,137				20
18	Mount Pleasant Waterworks Rifle Range Rd WWTP Effluent Pumping System Modification	511-42	Installation of triplex high efficiency submersible pumps, new VFD control panel, replacement of manifold piping and valves, above grade bypass fittings and discharge piping valves to improve efficiency and reduce the risk of a spill during extreme rainfall events. Back up emergency power will also be evaluated.	SC0040771	\$ 2,000,000	\$ 2,000,000		\$ 1,000,000	bc energy efficiency	20
19	Tega Cay, City of Sewer System Rehabilitation	731-01	Rehabilitation of collection system components to include ~40,600 LF of gravity sewer line, 374 manholes, and 11 lift stations. Also, interconnect 3 WWTPs one of which will be reactivated and upgraded and the other 2 rehabilitated.		\$ 6,500,000	\$ 6,500,000				20

SOUTH CAROLINA CLEAN WATER SRF IUP

Selected Projects List for State Fiscal Year 2015

August 27, 2014
FINAL

	Sponsor & Project	DHEC Project Number	Project Description	NPDES Number(s) Associated with Project	Total Project Cost Estimate	Estimated SRF Loan Amount	Estimated Principal Forgiveness Assistance ¹	Estimated Green Project Reserve Amount ²	Total Points
20	Aiken County Horse Creek Pollution Control Facility Improvements	321-30	Upgrade the Horse Creek Pollution Control Facility to meet NPDES limits for BOD and ammonia through improvements to pump stations 1 & 3, flow equalization, influent screens/grit chambers, aeration basins, chlorination system, sludge holding tank and dewatering.	SC0024457	\$ 25,000,000	\$ 25,000,000			20
21	Greeleyville, Town of Greeleyville Sewer Phase 4	719-02	Installation of lift station, force main and gravity sewer line to serve an area where 87% of septic systems are failing.	ND0077968 SC0048097	\$ 609,479	\$ 109,479			0
22	Bowman, Town of Bowman Avenue Ph II & III	729-01	Provide sewer to residents along or within the Bowman Avenue Corridor who currently rely on septic systems with a high incidence of overflow and potential for failure.	SC0040037	\$ 414,000	\$ 414,000			0
23	Dillon, Town of Highway 301 Force Main Relocation	424-07	Install ~2,350 LF of 14" force main due to the existing force main being in conflict with a SCDOT bridge relocation project.	SC0021776	\$ 450,000	\$ 450,000			0
24	James Island PSD Pump Station 54 Upgrade and Force Main Replacement	543-12	Replacement of degraded 4" PVC/DIP Force Main with 6" HDPE Force Main and installation of above grade piping and control valves at Pump Station 54.	SC0021229	\$ 661,360	\$ 661,360			0
Total					\$ 102,026,105	\$ 99,682,403	\$ 1,104,316	\$ 1,000,000	
SFY 2015 Total of SRF Loan + Principal Forgiveness Amounts						\$100,786,719			

1 Principal forgiveness funds are only available if the FY14 DWSRF Capitalization Grant is awarded by EPA and accepted by DHEC.

2 GPR projects are classified as "c" for categorical" or "bc" for business case.

Response to Comments Received on the Draft FY14 CWSRF Intended Use Plan

Comments received on the FY2014 Draft CWIUP included requested project additions, request for review of project scoring, and specific comments on SRF procedures reflected in the IUP to *include the handling of the FY 14 federal Capitalization Grant*. DHEC addressed these comments through the Selected Project List in Appendix A, the responses indicated in italics below and by applying for and intending to accept the FY2014 Clean Water Capitalization Grant.

Comment 1

The Department should continue to implement the requirements of the Green Project Reserve (GPR). Since the GPR is tied to an annual Capitalization grant, which DHEC did not apply for this year, the GPR guidelines are no longer required. While the Department has included as one of its short-term goals “to promote green practices and continue investment in green infrastructure,” it has not included ways of achieving this goal in either the CWIUP or the Priority Ranking System (PRS). In order to achieve this goal, the Department should continue to implement these requirements, or develop similar guidelines, and award additional points for projects that meet these requirements to encourage GPR projects. Furthermore, the South Carolina SRF Interest Rates for FY 2014 currently supports GPR projects with a 1.00% “Green Rate” for “projects, or portions of projects, meeting EPA GPR criteria, and/or improving water quality by reducing nonpoint pollution.” We appreciate this reduced interest rate and encourage the Department to continue to support GPR-type projects with a 1.00% “Green Rate.”

DHEC has chosen to encourage “green” projects through the incentive of a lower interest rate for eligible green projects or green portions of projects.

Comment 2

The Priority Ranking System should reflect all of the goals in the Clean Water Intended Use Plan. Upstate Forever supports the goals the Department has outlined in the CWIUP, which will address pollutant loads through projects implemented in watersheds with Total Maximum Daily Load (TMDL) plans in place. Additionally, consolidating systems will promote sustainable system capacities. The PRS reflects both of these goals by awarding points to projects that meet these criteria. However, the Department has emphasized that green practices and green infrastructure are important to promoting sustainable improvements to the state’s infrastructure yet has not included this in the PRS. Awarding points that encourage GPR projects would increase the likelihood of achieving this goal.

DHEC has chosen to encourage “green” projects through the incentive of a lower interest rate for eligible green projects or green portions of projects.

Comment 3

The Department should clarify how funds can be transferred between the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF). The CWIUP provides no criteria or stipulations regarding the transfer of funds between the two. The

Department should include more details on how funds can be transferred and used to ensure that projects in both programs are funded sufficiently and equitably and to ensure that transfers are justifiable.

DHEC does not provide a full explanation of the transfer process in every annual IUP. When DHEC does not expect to request a transfer of funds between the CW and DW SRFs verbiage in the IUP is used to reserve the right to transfer at a later date. In a year when DHEC would like to transfer funds to address a funding shortfall in one of the SRF funds (CW or DW), the process governing the fund transfer is explained.

Comment 4

The Department should continue to provide principal forgiveness for projects that meet specific requirements. According to draft IUP, there is no longer a principal forgiveness loan program being offered through the CWSRF. Additionally, the Department proposed to require a closing fee of 0.25% of the amount borrowed to support program operating costs. Both of these steps could deter some utilities from applying to the SRF, which undermines the goals outlined in the CWIUP. The Department should continue to provide principal forgiveness loans to projects that meet certain criteria, such as projects that meet GPR requirements, or projects in priority watersheds, provided they also meet the closing fee requirements.

With the finalizing of the CWIUP to include the intent to apply for the FY2014 Capitalization Grant (cap grant), Section IX.C. of the CWSRF IUP, titled “Additional Subsidies”, indicates the amount of principal forgiveness (PF) available for CW projects from the FY 14 cap grant amount and the priorities for assigning principal forgiveness for projects. Four projects on the Selected Project List have been identified as eligible to receive PF in State FY 2015 from the FY14 cap grant. CWSRF loan closing fees are used to fund an administrative budget for the Budget and Control Board’s Office of Local Government who handles the financial duties of the SRF program.

Comment 5

A. [The Department should consider] Interest rate reductions for FY 15 and several years beyond. We urge the SC BCB and DHEC to reduce the interest rates for the Clean Water SRF as follows: Standard Rate – Reduce from 2% to 1%; Small System Rate – Reduce from 1.5% to 0.5%; Hardship rate – Reduce from 1% to 0% (or at a minimum, 0% for 10 years and 0.5% for the remaining 10 years); Takeover Rate – Reduce from 1% to 0% (the takeover rate should be 0% or ideally, a negative interest rate to help viable systems consolidate non-viable utilities.

B. [The Department should consider] Expand[ing] the hardship criteria. We believe that the hardship category should be expanded to include utilities impacted by exceptional acts such as the PCB-impacted utilities in the Upstate. This category should also include significant system failures.

We are in discussions about interest rates with staff from the BCB as part of the follow-up to the SRF Program stakeholder meeting on July 31, 2014. As you are aware, the BCB establishes SRF interest rates and finalizes rates and annual loan policies in early fall. This occurs outside the IUP process. Your comments will be incorporated into the stakeholder discussion process.

Comment 6

[The Department should consider] Extend[ing] the loan duration for hardship / small system / takeover borrowers. Similar to the Drinking Water SRF, loans to utilities who meet the Hardship, small system, or take over criteria should be given the option of 30 year funding. We urge DHEC/BCB to adopt this available flexibility.

Under new federal law changes, up to a 30-year loan term is possible, if the useful life of the project does not exceed the term.

Comment 7

[The Department should consider] Change[ing] the “Takeover” Rate to “Takeover / Regionalization”. We believe DHEC should provide preferential funding to promote the provision of sewer service on a regional basis even outside of the takeover of non-viable system context.

Current priority ranking gives priority to regionalization.

Comment 8

[The Department should consider] Take[ing] full advantage of the additional flexibility Congress added to the SRF Program in this year’s Water Resources Development Act. We note that Congress made several beneficial changes to expand the scope of the SRF program, extend repayment (30 year) terms and codify “additional subsidization” options such as full or partial loan forgiveness (in addition to zero or negative interest rates). We urge DHEC and the BCB to take full advantage of this additional flexibility to make the program more attractive to municipalities across the State.

We plan to take advantage of Water Resources Reform and Development Act (WRRDA) changes related to additional subsidization and 30-year loans.