



DRINKING WATER

Federal FY 2022 DWSRF Base Capitalization Grant Intended Use Plan For State FY 2023

FINAL

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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) 2023 (July 1, 2022 through June 30, 2023) including federal funds allocated to South Carolina by the Consolidated Appropriations Act, 2022, 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) 2022 is \$9,075,000. 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 also is the designated state agency to apply for and administer the capitalization grants for the DWSRF. The drinking water enforcement program and the DWSRF program are both in the DHEC Bureau of Water which facilitates cooperation and coordination between the two programs to address regulatory compliance issues for drinking water systems in the state. 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 South Carolina Rural Infrastructure Authority's Office of Local Government (RIA) conducts the staff functions of the Authority. During SFY 2022, there have been no changes to the organizational structure of the SC SRF program or the state statute that governs the implementation of the SC SRF program.

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. 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. Use Principal Forgiveness funds to assist small and disadvantage communities and systems as they strive to achieve and maintain compliance with federal and state drinking water regulations and meet state drinking water standards.
4. Provide technical assistance to small systems to enhance sustainability and to achieve compliance with state and federal drinking water laws and regulations.
5. Support investment in green infrastructure, water and energy efficient improvements and environmentally innovative projects.
6. Maintain a working relationship with other infrastructure funding authorities within the state to coordinate drinking water quality funding.
7. 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.

For SFY 2023, the SC SRF has no plans to transfer funds between the CWSRF and DWSRF but reserves the right to do so if needed to meet demand in either the Clean Water or Drinking Water Base capitalization grant programs during SFY 2023.

IV. Provisional Projects List

The Drinking Water Provisional Project List (PPL) (Appendix A) identifies projects that are considered eligible and ready to proceed in SFY 2023.

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 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 letter of approval to construct), and

a successful final credit review by RIA for the Authority for projects receiving loans. 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 2022 DWSRF Base 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 or a similar funding request application approved by DHEC. The DHEC 3463 form can be 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. 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 does not proceed, the project will be removed from the list unless the sponsor provides an updated PQ.

C. Selection of Projects and SRF Funding

The selection of projects for the Provisional Project List (Appendix A) is based on the project rank and cost, availability of funds, consideration of the by-pass procedures in Section V.D., and the sponsor's indicated readiness to proceed with a project during SFY 2023. Ready to proceed in SFY 2023 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 RIA. The

selection process for sponsors and projects that may receive Additional Subsidies (i.e., 100 percent principal forgiveness for this grant) are discussed in Section IX.B.

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 will send the sponsor a loan application package. To proceed as an SFY 2023 SRF project, a project must receive a construction permit, or letter of approval to construct, and submit a complete loan application to RIA by July 31, 2022. For large projects, DHEC and RIA 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 and to make SRF funds available to a larger number of eligible sponsors.

When conducting outreach to solicit DWSRF projects, DHEC will emphasize the importance of resiliency, security, and sustainability projects and convey that projects addressing these issues are eligible for DWSRF funding.

If DWSRF funds are available after an annual IUP is published, the available funds may be used to fund other projects. In this case, the funded projects will be listed on the PPL in the next annual IUP.

D. Bypass Procedure

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

1. To address an imminent hazard to public health as determined by DHEC.
2. To fund a project that corrects violations of primary drinking water standards through consolidation or regionalization.
3. To fund projects that support consolidation or regionalization of systems to enhance the sustainability, regulatory compliance and/or quality of service of the systems involved.
4. To fund a project where a viable system owner is willing to assume ownership or receivership of a non-viable or abandoned system.
5. To fund projects for eligible sponsors that have not previously received DWSRF funding.
6. To fund a project for an eligible sponsor that otherwise would not receive SRF funds, especially principal forgiveness funds, from some other FFY 2022 DWSRF or CWSRF grant. The purpose of this bypass is to facilitate the distribution of SRF funds to a larger number of eligible sponsors, especially sponsors receiving principal forgiveness funds.

E. Expeditious Use of Funds

To promote timely commitment and use of SRF funds, DHEC will determine 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 on the PPL, the project sponsor should 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, and revising if appropriate, project milestones. It is the goal of the program to have projects on the PPL that have a signed loan agreement or loan assistance agreement (PF projects) within 18 months of the date EPA awards the grant. With current resource shortages for materials and qualified engineers and contractors, DHEC realizes that it may be challenging for sponsors to meet this goal.

Currently, project design and construction costs are increasing, often at a rapid pace. Therefore, sponsors with projects on the PPL will be encouraged to bid project alternatives, if feasible. Some or many PF projects on the PPL still may exceed the SRF budget amounts shown on the PPL. A PF project on the PPL may receive additional funding above the budgeted amount shown on the PPL if justified and approved by DHEC. Once the total PF funds under binding commitment reach the total PF amount shown on the PPL, PF projects without a binding commitment when that amount is reached will be addressed as follows: 1) projects with a Preliminary Engineering Report (PER) that has been approved by the DHEC SRF program will be moved to the next year's IUP and PPL for the Base grant; and, 2) projects without an approved PER will need to be resubmitted to the SRF program for future funding consideration. Available funds and loan budgets are discussed in Section VII.D..

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 RIA 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 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. Interest Rates and Funding Terms for Eligible Projects

Visit the RIA website, <http://www.ria.sc.gov/> to view SRF loan rates and policies. Interest rates for SFY 2023 projects will be published by RIA in early October, 2022. To receive that interest rate, a project must receive a construction permit, or letter of approval to construct, and submit a complete loan application to RIA by July 31, 2023.

Up to 30-year financing is available for all borrowers not to exceed the useful life of the project components. For example, pipe and items constructed of concrete or steel qualify for a 30-year term, while mechanical and electrical components are limited to 20 years. Blended amortizations will be provided for loans with differing terms.

For any project requesting funds for both 20- and 30-year eligibilities, the engineer will provide in the PER an estimated cost breakout in sufficient detail for DHEC to determine items that qualify for 20- or 30-year financing based on useful life. This information will be used for the conditional loan commitment letter; however, the 20- and 30-year eligibilities used for loan closing must be based on contractor prices.

Loans for projects with both 20- and 30-year requested construction cost items will have the 20/30 year cost breakdowns for the loan agreement determined once the bidding process is complete. If the successful contractor's bid is in sufficient detail for DHEC to determine the useful life of the components, no further breakout will be needed for loan closing. However, when the successful contractor's bid is not in sufficient detail to make the 20/30 year determinations, such as in a lump sum bid, the successful contractor, after the tentative award notice but before loan closing, must provide a breakout of the bid in sufficient detail for DHEC to make the necessary determinations of 20- and 30-year eligibility. So as to not delay loan closing and, in most cases execution of the construction contract, the selected contractor needs to develop and submit the detailed breakout to DHEC at the earliest possible time.

I. Loan Application

Sponsors of Provisional Projects who successfully complete RIA's preliminary financial review may apply to the Authority through RIA 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 DWSRF project sponsors. Also eligible are private, non-profit community water systems established by state law.

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. Also, planning and design projects to improve the capabilities of a system to facilitate compliance with regulatory standards are eligible.

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 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 RIA 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 a complete loan application to RIA.

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, American Iron and Steel and Build America, Buy America administration (as needed), 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.

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 waterline project.

G. Contingency

- The SRF program allows a contingency on eligible construction cost for loan projects 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. The purchase of water rights;
4. Laboratory fees for monitoring;
5. Operation and maintenance expenses;
6. Projects needed mainly for fire protection;
7. Projects for systems that lack adequate technical, managerial and financial capability, unless assistance will facilitate compliance;
8. Projects for systems in significant noncompliance, unless funding will facilitate compliance;
9. Projects primarily intended to serve future growth;
10. Refinancing of existing debt;

11. Projects for systems when consolidation or regionalization is the most feasible alternative for a system to maintain sustainability, unless the project addresses or supports consolidation or regionalization.

VII. Funds Available

A. Amount of Capitalization Grant

South Carolina's allotment from the FFY 2022 Consolidated Appropriation Act, 2022 is \$9,075,000. South Carolina will not take any set-asides from this capitalization grant.

B. State Match Requirement and Anticipated Cash Draw Ratio

One condition of receiving the annual capitalization grant allotment is the State must deposit into the DWSRF state match in an amount equal to at least twenty percent (20%) of the total amount of the expected federal grant. RIA will deposit the full state match of \$1,815,000 into the DWSRF from state appropriations and other resources available to RIA prior to receiving the capitalization grant. It will fully expend the state match before the first draw of funds from the capitalization grant with subsequent federal draw at 100%.

C. Set Asides

South Carolina will not take any set-asides from this capitalization grant.

D. Estimated Funds Available - State Fiscal Year (SFY) 2022

Estimated Amount of Funds available for loans as of 6/30/22	\$95,623,467*
FFY 2022 federal capitalization grant	\$9,075,000
State match for FFY 2022 capitalization grant	\$1,815,000
Estimated SFY 2023 repayments (7/1/22 to 6/30/23)	\$13,815,454
Estimated SFY 2023 investment earnings (7/1/22 to 6/30/23)	\$2,100,000
Estimated amount of funds to be transferred to/from the CWSRF	\$0
Value of set-asides from FFY 2022 DWSRF Base grant	\$0
Estimated Total Funds Available for SFY 2023 Loans	\$122,428,921

*This is the estimated amount of funds available for SFY 2023 loans and does not include any funds reserved to fund the remaining SFY 2022 loans yet to close. All prior capitalization grant funds are committed to projects. No loan fee income is used on projects. All loan fees are used to conduct the financial functions of the SRF program assigned to RIA under state law.

Note: The estimated total funds for SFY 2023 loans may change from the figure quoted above due to the ongoing administration of projects, including projects on prior DWSRF IUPs where bids have not been opened. The amount of funds available for SFY 2023 loans is less than the amount shown on the PPL in Appendix A. It is anticipated that some of the projects on the PPL will receive funding from other sources which will reduce the DWSRF funds needed for the projects. That said,

because project costs continue to escalate, loan requests still may exceed available funds. If so, projects will be financed in the order of having a complete loan application (includes construction permit/letter of approval) and any projects that cannot be funded will be moved to the next available IUP.

DHEC will continue to prioritize the reduction of Unliquidated Obligations (ULOs) for set-asides and closing out prior year capitalization grants in an expeditious manner. The primary focus of this effort will be to emphasize first-in, first-out accounting practices.

E. Equivalency to Account for Federal Funds

DHEC will use equivalency projects to account for the federal funds awarded to the SC DWSRF program through this capitalization grant. The amount that must be accounted for includes the total federal grant award minus any set-aside funds received from the grant. The potential equivalency projects are noted on the PPL. When possible, DHEC will select projects for equivalency that are straightforward to construct, require a relatively limited range of construction materials and equipment to complete, and are requesting a large DWSRF loan. The equivalency projects will be required to meet all of the federal requirements listed in Section IX.

The equivalency projects that have binding commitments (signed loan agreements) and are selected to account for the federal funds received from this capitalization grant will be identified in the DWSRF Base grant annual report and reported to the federal government pursuant the requirements of the Federal Funding Accountability and Transparency Act (FFATA).

F. Fee Income

A 0.35% loan closing fee will be charged on all loans, but such fees will not be assessed on any principal forgiveness projects. The entirety of loan fees collected are used to conduct the financial functions of the SRF program assigned to RIA under state law.

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 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 quarterly payment under the capitalization grant within one year of each such payment.
3. Expeditious and Timely Expenditures: The State will expend all funds in the DWSRF in an expeditious and timely manner as previously discussed.

IX. 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)
- Build America, Buy America provisions
- 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)
- Signage

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

B. Additional Subsidies

The Consolidated Appropriations Act, 2022 requires that 14% of the FY 2022 DW Base capitalization grant be used to provide additional subsidy. The BIL requires that 12% to 35% of the capitalization grant be used to provide additional subsidy to state-defined disadvantaged communities. The two additional subsidy requirements are additive, therefore, the total required additional subsidy for this capitalization grant is 26% to 49%. As indicated above, at least 12% for the additional subsidy must be used for disadvantaged communities, which the South Carolina DWSRF program defines as a small system (population less than 10,000) with an MHI less than the State MHI that cannot qualify for an SRF loan. South Carolina will use assistance agreements with 100% forgiveness of principal to satisfy the additional subsidy requirement.

EPA expects the SRF program to ensure that systems and project sponsors that 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 or if the use of the financial assistance from

the CWSRF will promote sustainability and compliance over the long-term. The sponsor may not be eligible for additional subsidies on future projects until the agreed upon operational changes have been fully implemented. Also, systems that ask to be considered for principal forgiveness funds must not be delinquent on submission of annual financial audits to the State Treasurer's Office as required by SC state law. RIA staff conduct a thorough financial review of each system sponsor to determine if they can afford an SRF loan.

The SRF Program plans to utilize additional subsidy funds, provided as principal forgiveness (PF), for projects that are ready to proceed, to encourage the following priorities:

- Correct violations of primary drinking water standards and potential health concerns, preferably through consolidation or regionalization;
- Enable a viable system owner willing to assume ownership or receivership of a non-viable or abandoned system;
- Assist small systems (population less than 10,000) with achieving compliance with state and federal drinking water regulations; and
- Enhance the sustainability of small systems by fixing existing infrastructure.

Eligible sponsors with eligible projects that may receive PF assistance are as follows:

- Small systems (population less than 10,000) with a Median Household Income (MHI) less than the State MHI that cannot qualify for a DWSRF loan, or;
- A sustainable system owner willing to assume ownership or receivership of an unsustainable or abandoned system.

To make maximum benefit of PF funds for SFY 2023, sponsors typically will be limited to no more than \$1,000,000 for subsidy unless PF funds remain unassigned or are not committed to an identified project as expected.

Appendix A (PPL) indicates the amount of PF that has been assigned to projects for SFY 2023 on a preliminary basis. The SRF Program reserves the right to adjust PF amounts. PF funds are only available if EPA awards the FFY 2022 DWSRF Base Capitalization Grant and it is accepted by DHEC. Project listing is not a commitment of funding.

If a sponsor requests principal forgiveness assistance for a project, but the sponsor and project are eligible for a conventional SRF loan, the sponsor will be offered a conventional SRF loan in lieu of a principal forgiveness loan (see the principal forgiveness loan eligibility criteria discussed above); the exception being a sustainable system owner willing to assume ownership or receivership of an unsustainable or abandoned system.

C. Green Project Reserve (GPR)

The Consolidated Appropriations Act, 2022 and BIL 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 encourages and plans to fund projects or portions of projects that qualify as "green" under the published EPA Guidance for DWSRF Green

Project Reserve when identified by the sponsor or DHEC. DWSRF GPR Guidance is posted to the SRF Guidance webpage <http://www.scdhec.gov/srfguidance>.

D. Environmental Outcomes and Measures

DHEC will update EPA's SRF Data System at least quarterly to report financial information about the program and projects, loan information, and project activities and benefits.

E. 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 Draft IUP notice and DRAFT FFY 2022 DWSRF Base Capitalization Grant 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 2022 DW Base Capitalization Grant IUP was posted to the DHEC website on July 15, 2022. Notice of the Draft IUP was emailed to SRF contacts, Rural Infrastructure Authority contacts, DHEC watershed stakeholders, and included in communications to members of the SC Rural Water Association, the South Carolina Association of Counties, and the Municipal Association of South Carolina. Comments were accepted until 5:00 PM on August 15, 2022. One comment was received. The South Island Public Service District withdrew their project (0720001-01) from consideration for SRF funding. This project has been removed from Appendix A.

Additionally, two edits were made to the IUP after internal review during the IUP comment period:

1. In Appendix A – The Summerville CPW project (1810003-01) was added to the PPL (Appendix A) after being inadvertently left out of the draft FFY 2022 DWSRF Base IUP.
2. In Appendix A – Two projects were swapped between the PPLs for the FFY 2022 DWSRF Base IUP and FFY 2022 DWSRF General Supplemental IUP to better account for equivalency requirements. Greenville Water (2310001-03) was transferred from the DW Base IUP to the DW General Supplemental IUP and Grand Strand WSA (2620004-28) was transferred from the DW General Supplemental IUP to the DW Base IUP.

SOUTH CAROLINA
DWSRF Base SFY 2023 Provisional Priority List¹

	Sponsor and Project Name	SRF Project Number	Project Description	SC Water System ID Number	Estimated Total Project Cost	Estimated SRF Loan Amount ⁴	Estimated Principal Forgiveness Assistance ²	Sponsor's Service Population	Population Affected by Project	Total Points
1	Joint Municipal Water & Sewer Commission - Water Supply to Batesburg-Leesville ³	3220003-07	The project will include the extension of approximately 40,000 LF of 16-inch water main, one booster station, one 500,000 Gallon Elevated Water tank, fire hydrants and associated appurtenances.	3220003	\$20,000,000	\$20,000,000		7800	7800	35
2	Batesburg-Leesville, Town of - Finished Water Supply to Batesburg-Leesville from Joint Municipal Water and Sewer Commission ³	3210002-04	The project will decommission the existing aging Batesburg-Leesville water treatment facility and limited water supply. A new finished water supply from JMWSC will be conveyed though approximately 32,000 LF of 16-inch water main, booster pump station, and associated appurtenances.	3210002	\$13,961,460	\$2,500,000	\$250,000	5402	2957	35
3	McCormick Commission of Public Works - Isolation Valve Installation	3510001-05	This project will replace inoperative or aging valves to prevent a catastrophic loss of water and prevent dangerously low water levels in elevated storage tank.	3510001	\$1,111,034		\$996,557	2320	885	30
4	Cheraw, Town of - Water Plant Improvements 2022	1310001-02	Improvements to water treatment plant include: repair of tank farm containment wall, rehab of 207 lf of 18 and 21" drain pipe, concrete beam repair, flash mix foundation repair and electrical breaker replacement.	1310001	\$467,165		\$422,465	6595	2860	30
5	Hemingway, Town of - Lead Service Line Inventory	4510004-04	A partial lead service line inventory will be completed, utilizing a vac truck to expose and check the material type on service lines.	4510004	\$75,000		\$75,000	400	400	30
6	Powersville Water District - Dacusville Loop	0420002-08	Install approx 28,730 LF of 12" ductile iron water main to provide foundational water infrastructure to support stable pressures and system circulation flow in an area that is the highest elevation point in system.	0420002	\$4,993,000	\$4,993,000		35,000	5,000	25
7	Aiken, City of - Shaws Creek Water Treatment Plant	0210001-03	The replacement of the Shaw's Creek WTP on the Northside to ensure that the water service can continue uninterrupted and to meet the increasing demands required to provide safe clean drinking water. The existing water plant has been in operation for almost seven decades and has reached the end of it service life.	0210001	\$45,000,000	\$27,000,000		21000	21000	20
8	Grand Strand Water and Sewer Authority - Bull Creek SWTP Expansion	2620004-30	Expand WTP to 60 MGD through additional equipment and piping modifications, including a new 36-in raw water transmission line into the plant.	2620004	\$24,612,000	\$24,612,000		316,000	316,000	20
9	Union, City of - WTP Electrical and Instrumentation Upgrade	4410001-02	Replacement of the main electrical feeders, breakers, and wiring at the City's Water Treatment Plant. The project will also include the replacement and upgrades to the SCADA monitoring/control system and the replacement of approximately 38 electric valve actuators for the filter piping system.	4410001	\$1,100,000	\$1,000,000		11900	24645	20
10	Marlboro County / Marlboro Water Company - New Production Well and Treatment Facility - Phase I	3420001-01	The project includes the construction of a test well, new production well, pump, piping, electrical, and all necessary appurtenances. The new well will improve system hydraulics and allow other system wells to be taken off-line and serviced.	3420001	\$703,500		\$703,500	4588	2163	20
11	Andrews, Town of - Town Wide Water System Modeling, Mapping, and Capital Improvement Plan	2210003-01	Perform system wide modeling and mapping to development CIP plans to improve the quality and delivery of water to the Town of Andrews existing customers.	2210003	\$97,000		\$97,000	2866	?	20

	Sponsor and Project Name	SRF Project Number	Project Description	SC Water System ID Number	Estimated Total Project Cost	Estimated SRF Loan Amount ⁴	Estimated Principal Forgiveness Assistance ²	Sponsor's Service Population	Population Affected by Project	Total Points	
12	Summerville CPW - Sawmill Branch Water Supply - Booster Pumping & Storage Improvements	1810003-01	The project includes two (2) 1.0 million gallon ground storage tanks and a booster pump station downstream of Summerville CPW's metered connection to the Santee Cooper Water System. Additionally, it includes an approximately 7,000 LF 30-inch transmission main from the proposed booster pump station to run parallel to the existing 24-inch transmission main.	1810003	\$10,064,410	\$8,000,000		80873	80873	20	
13	Greer Commission of Public Works - WTP Transfer Clearwell Addition	2310005-06	The project is comprised of a new 60,000 gallon transfer clearwell, transfer pumps, site piping, valves, controls, electrical and other related appurtenances constructed to provide redundancy and maintenance at the WTP.	2310005	\$1,795,000	\$1,644,000		64,309	64,309	10	
14	Grand Strand Water and Sewer Authority - Conway Parallel Transmission Main³	2620004-28	24 inch PVC transmission main from Bull Creek SWTP to the Conway BPS.	2620004	\$20,238,000	\$20,238,000		316,000	316,000	10	
Totals:					\$144,217,569	\$109,987,000	\$2,544,522				
SFY 2023 Total of SRF Loan + Principal Forgiveness Amount:					\$112,531,522						

Footnotes

- 1 Projects 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.
- 2 As discussed in Section IX.B. of this IUP, the minimum required Additional Subsidy is 26% of the capitalization grant or \$2,359,500. SC uses Principal Forgiveness Assistance to satisfy the Additional Subsidy requirement. The total Estimate Principal Forgiveness Assistance is shown on the table above. The 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.
- 3 Equivalency project. DHEC reserves the right to modify, as needed and when appropriate, which project(s) will serve as the equivalency project(s) for this grant.
- 4 See available funds discussions in Section VII.D. of this DWSRF IUP. Loan requests could exceed available funds. In this case, projects will be financed in the order of having a complete loan application (includes construction permit/letter of approval) and any projects that cannot be funded will be moved to the next available IUP.