

Disbursement Package for Loan Projects



SC Department of Health and Environmental Control

DISBURSEMENT INFORMATION

Under the State Revolving Fund (SRF), there are disbursement policies, procedures, and requirements that apply to all loan recipients, some of which appear in the Loan Agreement between the Project Sponsor and the South Carolina Water Quality Revolving Fund Authority. It is the responsibility of the Project Sponsor to comply with the provisions of the Loan Agreement, which is a legally binding document.

While the disbursement policies, procedures, and requirements govern the SRF program as a whole, some relate more to the responsibilities of the Department of Health and Environmental Control (DHEC) and others involve the Rural Infrastructure Authority, Office of Local Government (RIA), which administers the financial functions of the SRF for the SC Water Quality Revolving Fund Authority. In general terms, DHEC reviews the technical aspects of the draw requests and RIA disburses the monies. Both entities ensure compliance with the Loan Agreement, as well as other disbursement provisions contained herein.

This material provides the Project Sponsor with a complete package of information on policies and requirements for disbursements, specific procedures for submitting draw requests, and the required forms that will satisfy both agencies. Referenced forms are listed in the Appendix as well as online at scdhec.gov/srfforms.

Material that must be provided to either entity should be addressed as follows:

DHEC
Ms. Theandra Boyd
State Revolving Fund Division
DHEC
2600 Bull Street
Columbia, SC 29201
Phone: 803-898-3499
Email: boydtl@dhec.sc.gov

RIA
Ms. Talyia Durant
Office of Local Government
Rural Infrastructure Authority
1201 Main Street, Suite 1600
Columbia, SC 29201
Phone: 803-737-0390
Email: tdurant@ria.sc.gov

I. SRF DISBURSEMENT POLICIES

- A. Disbursements will only be made against incurred, actual eligible costs of the project, not to exceed the amount specified for each cost category prescribed in the Project Budget found in *Appendix A* of the Loan Agreement.
- B. Labor or administrative activities performed by employees of the Project Sponsor (i.e., force account work) are not eligible costs.
- C. When the Project Sponsor has paid the incurred project costs and is seeking reimbursement for payment of such costs previously paid by the Project Sponsor, or when the Project Sponsor is seeking funds with which to pay incurred project costs, disbursement from the Fund will be remitted to the Project Sponsor via a check or an electronic funds transfer based on how the Project Sponsor is set up with the State Treasurer's Office to receive payment.
- D. The first draw request will not be accepted prior to the execution of all construction contracts covered by the Loan Agreement.
- E. The first draw request must include an amount for incurred construction costs (mobilization costs at a minimum) and all eligible planning and/or design engineering and/or legal costs.
- F. Interim draw requests shall include no less than one month of incurred costs and shall not be submitted more often than once per month.
- G. First and interim draw requests shall be for a minimum of \$5,000. This minimum does not apply to final draw requests.
- H. When the project budget indicates that the loan amount represents only a portion of the eligible costs of the project, or a portion of the costs of a category, any draw may not exceed the same proportion of such costs reported for disbursement. However, proportionality may be suspended upon completion of the project for processing of the final draw request.
- I. Please note that the SRF (through actions of the staff at DHEC and at RIA) will make every effort to disburse funds within 14 to 21 days of receiving a reimbursement request, but it cannot guarantee this schedule. The Project Sponsor should keep this timeframe in mind when submitting draw requests. Generally, the more complete the accompanying documentation, the quicker the disbursement can be processed.
- J. The Project Sponsor shall promptly disburse funds received from the SRF to pay eligible costs of the project and for no other purpose. In no case should the Project Sponsor hold funds received from the SRF more than three business days, unless the disbursement is for a reimbursement.
- K. The Project Sponsor shall not request disbursements against retainage until retainage is released.
- L. The Project Sponsor shall not request disbursements for any change order until the change order has been approved by DHEC.

M. The final disbursement will not be made until the Final Approval(s) to Place into Operation (APO) is issued by DHEC.¹ DHEC and RIA reserve the right to refuse final payment if there is a delay in submitting the final draw request to DHEC of longer than 180 days after the final APO was issued. If the project is not a traditional construction project, contact the Project Manager to find out what is needed for a final disbursement to be processed.

N. If the Project Sponsor is required to incrementally fund a Debt Service Reserve Fund, no disbursement will be made on any draw request unless the amount on deposit in this Fund meets the requirements of the Loan Agreement and the trustee submits written verification of deposit to RIA.

O. Each request for, and acceptance of, a disbursement by the Project Sponsor shall be affirmation that the representations and warranties of the Loan Agreement remain true and correct as of the date of the request and acceptance, that no breach of other provisions of the Loan Agreement has occurred, and that no adverse developments affecting the financial condition of the Project Sponsor or its ability to complete the project or to repay the loan plus interest have occurred since the date of the Loan Agreement unless specifically disclosed in writing by the Project Sponsor in the request for disbursement submitted to RIA.

II. REQUIREMENTS PRIOR TO SUBMITTING THE FIRST DRAW REQUEST

- A. Submit all required sponsor compliance forms and bid documentation to DHEC and receive bid package approval.
- B. The Project Sponsor must designate and authorize individuals required for administration and processing of the Loan Agreement in writing on the *Official Designation and Signature Form* (DHEC 3586).
 1. Designate a “Sponsor Representative” to attend to disbursements, payments, and other matters pertaining to administration of the Loan Agreement. This individual must be an official or employee of the Project Sponsor.
 2. Identify and provide signatures of the two persons authorized to sign draw requests. These two individuals should be the designated sponsor representative and the project engineer.
- C. The Project Sponsor must submit any required sponsor compliance forms, which, depending on the project, may include the *Certification Regarding Debarment, Suspension, and Other Responsibility Matters* (DHEC 3590) and the *Certification Regarding Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URLAP)* (DHEC 3594).
- D. For construction projects, the Project Sponsor must identify how the continuous inspection will be covered and submit *Project Inspection Designation Form* (DHEC 2324).
- E. Submit to DHEC a complete set of bound executed contract documents, including a copy of the executed Notice to Proceed.

¹ Projects that don't require a construction permit must submit an Engineer's Certification of Completion, Sponsor's Acceptance of Project, and as-built/record drawings (see V.C.).

III. REQUIREMENTS FOR THE FIRST DRAW REQUEST

- A. The Project Sponsor should request reimbursement for any eligible “Planning and Design Engineering” costs, “Land Acquisition” costs, and “Legal and Appraisal Fees” (See Section IV.H.1-3). Remember, all amounts to be requested for disbursement in any of the categories indicated in the previous sentence will be accepted only with the first draw request.
- B. If the Project Sponsor is required to incrementally fund a Debt Service Reserve Fund, evidence of the establishment of such a Fund and the then current balance must be submitted to RIA with the first draw request. No disbursement will be made if there is any deficiency in the required balance.
- C. Submit documentation to your SRF project manager verifying that the BIL or Base Equivalency signage requirement, if applicable, has been met.
- D. Follow the procedures and requirements of the following section.

IV. DRAW REQUEST PROCEDURES AND REQUIREMENTS

- A. Use the *SRF Draw Request Form — Loan* (DHEC 3585) to request disbursements on any SRF loan.
- B. Prepare each draw request in accordance with the instructions provided and have it signed by those designated on the *Official Designation and Signature Form* (DHEC 3586). Any change in designees requires a new Designation Form to be completed and submitted to DHEC and RIA.
- C. Submit draw requests to DHEC with one original of the draw request (three sheets) along with one set of supporting documentation (invoices, etc.).
- D. Submit the applicable *Monthly Construction Inspection Report [Projects without BABA Requirements* (DHEC 3587) or *Projects with BABA Requirements* (DHEC 2560)] for each month in the period for which construction costs are being claimed (e.g., if a draw request covers three months, three inspection reports are required).
- E. Submit a *Project Sponsor’s Davis-Bacon Certification* (DHEC 2557) to DHEC with each draw request for the period for which construction costs are being claimed. (One certification may cover more than one month to coincide with the draw request period for which costs are being claimed.)
- F. For projects with equivalency requirements that have not been granted a BABA waiver, submit a *Project Sponsor’s Build America, Buy America Certification* (DHEC 4359) to DHEC with each draw request for the period for which construction costs are being claimed. (One certification may cover more than one month to coincide with the draw request period for which costs are being claimed.)
- G. For all projects with general requirements and construction projects with equivalency requirements that have been granted a BABA waiver, submit a *Project Sponsor’s American Iron and Steel Certification* (DHEC 0962) to DHEC with each draw request for the period for which

construction costs are being claimed. (One certification may cover more than one month to coincide with the draw request period for which costs are being claimed.)

H. Eligible Expenses for Draw Request Categories:

1. Engineering (Planning and/or Design) – Include only actual eligible engineering costs incurred by a consultant during the planning and/or design phases of the project, including value engineering if selected by the Project Sponsor and approved by DHEC. Expenses incurred earlier than 36 months prior to submittal of a complete loan application, which includes issuance of an SRF construction permit (or SRF approval of plans and specifications when no construction permit is required), are not eligible for participation. Disbursements may not exceed the amount shown for this category in the Project Budget found in *Appendix A* of the Loan Agreement. *(The Project Sponsor may only submit for reimbursement in this category with the first draw request.)*
2. Land Acquisition – Include only the actual incurred costs for the purchase of eligible land, but do not include any associated legal, appraisal, or relocation costs. Complete the applicable *Land Acquisition Form* (DHEC 2553 for Clean Water, or DHEC 2554 for Drinking Water) and include the applicable form with the first draw request. Land is eligible as required for location of project components. In the Drinking Water SRF Program, land must be purchased from a willing seller. The cost of any land acquired earlier than one year prior to having a complete loan application, which includes issuance of an SRF construction permit (or SRF approval of plans and specifications when no construction permit is required), is *not* eligible and should not be included in the draw request. Disbursements may not exceed the amount shown for this category in the Project Budget found in *Appendix A* of the Loan Agreement. *(The Project Sponsor may only submit for reimbursement in this category with the first draw request.)*
3. Legal and Appraisal Fees – Include only the following actual incurred expenses: (1) legal and/or appraisal fees directly related to land acquisition for the project; and (2) attorney and bond counsel fees incurred to close the SRF loan. Do not include any costs incurred earlier than one year prior to having a complete loan application, which includes issuance of an SRF construction permit (or SRF approval of plans and specifications when no construction permit is required). Disbursements may not exceed the amount shown for this category in the Project Budget found in *Appendix A* of the Loan Agreement. *(The Project Sponsor may only submit for reimbursement in this category with the first draw request.)*
4. Construction – Include only actual eligible costs incurred for the construction of the project. Disbursements may not exceed the amount shown for this category in the Project Budget found in *Appendix A* of the Loan Agreement. When the project has multiple contracts or divisions and/or when there are 20-year and 30-year eligible construction costs, break costs out on Page 3, Section 1 of the *Draw Request Form - Loan* (DHEC 3585).
5. Equipment – Include only actual eligible incurred costs of equipment purchased by the Project Sponsor for use in the project. Do not include equipment purchased by a contractor as part of a construction contract. Disbursements may not exceed the amount shown for this category in the Project Budget found in *Appendix A* of the Loan Agreement.

6. Construction Engineering – Include only actual eligible incurred costs for continuous inspection, construction engineering, and other engineering services during the construction phase of the project. Do not include any engineering costs which may be incurred during start-up operations or which were incurred during the planning and design phases. Disbursements may not exceed the amount shown for this category in the Project Budget found in *Appendix A* of the Loan Agreement.
- I. The SRF Financial Analyst and the SRF Project Manager will be responsible for reviewing and certifying draw requests for submittal to the DHEC Finance Office and RIA for disbursement processing. More thorough reviews—to ensure compliance with all disbursement, technical, and any other applicable SRF requirements regarding DBE (minority and women owned businesses), EEO (Equal Employment Opportunity) and procurement—are performed on the first and last draw requests. The SRF project manager will be responsible for these reviews and any adjustments that may be required during the course of the project. Draw requests will be held pending resolution of any noted deficiencies.
 - J. DHEC adjustments will be made on current or subsequent draw requests as required. A copy of the adjusted draw request, with a letter or explanation, will be forwarded to the Project Sponsor for use in generating subsequent requests.

V. FINAL DRAW REQUEST REQUIREMENTS

- A. Follow the procedures and requirements of the previous section.
- B. Submit any final change orders to the SRF Project Manager. (All change orders must be approved before the final draw request will be processed.)
- C. Submit a copy of the Final Approval to Place into Operation, the Engineer’s Certification of Completion, the Sponsor’s Acceptance of Project, and as-built/record drawings. The preferred format of the as-built/record drawings is electronic/PDF copy. Projects that don’t require a construction permit must submit an Engineer’s Certification of Completion, Sponsor’s Acceptance of Project, and as-built/record drawings.
- D. For equivalency projects (i.e., projects that must meet full federal requirements), the final report of *MBE/WBE Utilization Under Federal Grants and Cooperative Agreements* (EPA 5700-52A) must be submitted.
- E. CLEAN WATER PROJECTS ONLY: Certification of a completed Fiscal Sustainability Plan (FSP), for the project components (at minimum), must be submitted before the final draw will be processed. When there is an existing FSP, the certification may be made at the time of loan closing; otherwise, certification of a completed FSP must be submitted before or with the final draw request. Certification is made using DHEC Form 3236, *Fiscal Sustainability Plan Certification*.



SRF Draw Request Checklist - Loan

SRF requirements are subject to change. When in doubt about a requested/required item, contact the DHEC Project Manager or Financial Manager handling the project.

To Be Submitted before the First Draw Request:

	Sponsor Compliance Forms - To include: Sponsor's Debarment Certification Form (3590); URLAP Form (3594) - if required
	All required Bid Package Items (see SRF Bidding Guidance)
	Project Inspection Designation Form (2324)
	Official Designation and Signature Form (3586) - 1 to DHEC, 1 to RIA
	Executed Contract, including the Notice to Proceed

To Be Submitted with the First Draw Request:

	Any remaining items from above, <i>"To Be Submitted before the First Draw Request"</i>
	If debt service reserve fund required, submit current balance to RIA
	ALL eligible engineering planning & design costs, land costs, and/or legal costs
	Land Acquisition Form, if applicable (Clean Water - 2553 or Drinking Water - 2554)
	Documentation that BIL or Base Equiv Signage Requirement has been met - if applicable
	ALL items listed below under the title <i>"Required with Interim Draw Requests"</i>

Required with Interim Draw Requests:

	Draw Request Form — Loan (3585)
	Supporting Documentation - invoices, contractor's pay application(s), etc.
	Monthly Construction Inspection Report (Projects without BABA Requirements - 3587 or Projects with BABA Requirements - 4366) - one for <u>each month</u> covered by the draw request
	Project Sponsor's Davis Bacon Certification (2557) - one for the entire draw request period
	Project Sponsor's BABA Certification (4359) - Only applies to projects with equivalency requirements without an approved BABA waiver; One for the entire draw request period
	Project Sponsor's AIS Certification (0962) - Applies to all projects with general requirements and projects with equivalency requirements with an approved BABA waiver; One for the entire draw request period

Required with the Final Draw Request:

	All items listed under the title <i>"Required with Interim Draw Requests"</i>
	Any remaining/final change order(s) - must be approved before draw can be processed
	Copy of the Final Approval(s) To Place into Operation (APO) - final draw request must be within 180 days of APO
	Copy of the Engineer's Certification of Completion
	Copy of Sponsor's Acceptance of Project
	A complete set of as-built/record drawings (PDF copy preferred)
	MBE/WBE Utilization Under Federal Grants and Cooperative Agreements (EPA 5700-52A), if required
	<i>Clean Water projects:</i> FSP Certification (3236) - if not previously submitted

APPENDIX

FORMS

Form	Form Name
3590	Debarment Certification
3586	Official Designation and Signature Form
3585	Draw Request Form — Loan
3587	Monthly Construction Inspection Report — General
4366	Monthly Construction Inspection Report — Equivalency
3594	URLAP Certification
2324	Project Inspection Designation Form
2557	Project Sponsor’s Davis-Bacon Certification
4359	Project Sponsor’s Build America, Buy America Certification (<i>only applies to projects with equivalency requirements without an approved BABA waiver</i>)
0962	Project Sponsor’s American Iron and Steel Certification (<i>applies to all projects with general requirements and projects with equivalency requirements with an approved BABA waiver; One for the entire draw request period</i>)
2553	Land Acquisition for CWSRF Funding Form
2554	Land Acquisition for DWSRF Funding Form
3236	Fiscal Sustainability Plan Certification (Clean Water Only)
EPA 5700-52A	MBE/WBE Utilization under Federal Grants and Cooperative Agreements

All forms may be found as fillable PDFs on the SRF Documents and Forms webpage, www.scdhec.gov/srfforms.