



LEAD SERVICE LINE REPLACEMENTS

2024 CALL FOR PROJECTS WEBINAR

January 23, 2024 10:00 a.m.



TODAY'S SPEAKERS

Wayne Shealy, P.E.

SRF Division Director
Department of Health and
Environmental Control



Noel Hebert, CPA

Assistant Loan Programs Director
Rural Infrastructure Authority





Webinar Agenda

- Overview and Funding Available
- Program Eligibilities
- Program Requirements
- Understanding the Process
- Financial Requirements
- Q&A



Partnership in Program Management



DHEC is the EPA grantee and manages the technical aspects of the program.

RIA's Office of Local Government (OLG) handles the financial responsibilities of the program.



Bipartisan Infrastructure Law (BIL)

Significant increases for SRF loans and principal forgiveness funds for 5 years

Funding provided for:

1. All SRF-eligible drinking water, wastewater, and stormwater projects
2. Emerging contaminants
3. Lead service line replacements

EPA BIL Memo:

www.epa.gov/dwsrf/bipartisan-infrastructure-law-srf-memorandum



A close-up photograph of several stacks of US dollar bills, including a \$100 bill and a \$50 bill, with the number '1000' visible on the \$50 bill. The bills are stacked and slightly overlapping, with a blue circular graphic overlay on the right side of the image.

The Benefits of Using SRF

- \$45 million estimated funding available for lead service line replacement projects
- Combination of loan + SRF Principal Forgiveness
- Dedicated DHEC project manager
- Dedicated RIA loan manager
- Meets EPA proposed rule that all lead service lines be replaced within 10 years





Lead Service Line Replacements

Eligible Sponsors

Assistance for Public Entities:

- Municipalities
- Counties
- Special Purpose Districts
- Joint Regional Entities
- Non-profit community systems
- Funding is available to both large and small systems



Lead Service Line Replacements

Eligible Activities

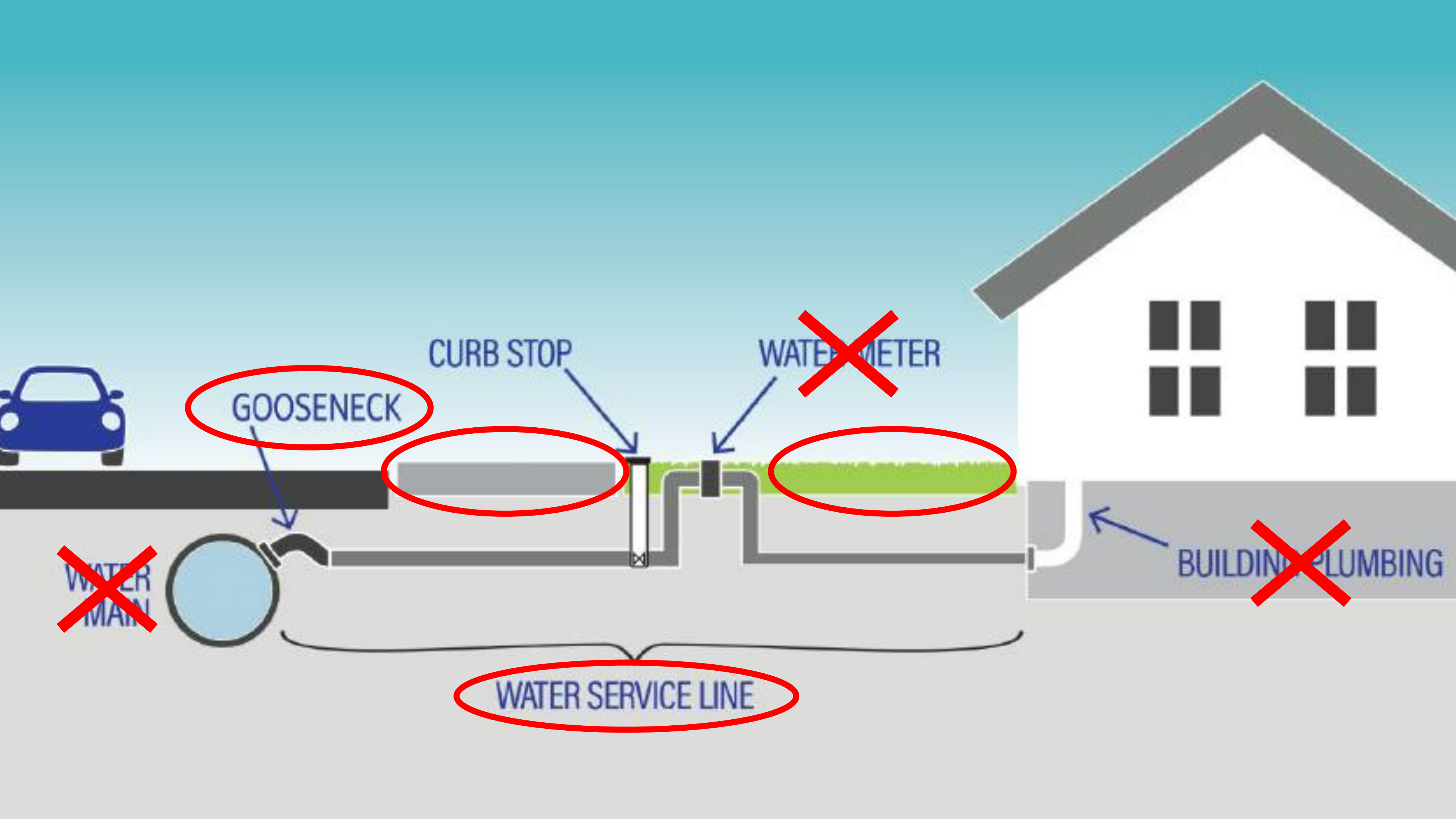
- Planning and Design Engineering
- Complete replacement of lead service lines
- Replacement of lead or galvanized goosenecks, pigtails, and connectors
- Temporary filters
- Non-routine lead sampling
- Necessary site restoration (e.g., landscaping, sidewalk, and driveway repairs)
- Construction Engineering and Inspections



Lead Service Line Replacements

Ineligible Activities

- Partial LSL replacement (unless other portion previously or concurrently replaced)
- Replacement of mains or meters
- Installation or replacement of premise plumbing (inside the house)
- Corrosion control studies or infrastructure
- Routine, compliance-related sampling/testing of lead in DW
- Bottled water/trucked in water



Program Requirements

- SRF loan must be taken out for the portion of the project not funded through SRF Principal Forgiveness.
 - Must be a loan eligible system.
 - Each draw request must consist of a loan and PF portion by ratio.
- The loan portion will be no greater than 51%
 - $\geq 67\%$ of the work must be in disadvantaged areas as demonstrated in a socio-economic study.
 - * Disadvantaged criteria must include a Median Household Income of less than the state average but may consider other factors
- 100% principal forgiveness funding (though limited) may be available for small, disadvantaged systems that do not qualify for an SRF loan

Program Requirements

- Must have lead service line inventory completed for the proposed replacement areas

- Must replace the entire lead service line up to building inlet*

* Unless a portion has previously been replaced (includes private side work)

- All projects must comply with SRF equivalency requirements including:
 - Build America, Buy America (BABA);
 - Davis-Bacon Wages; and
 - Disadvantaged Business Enterprise (DBE)

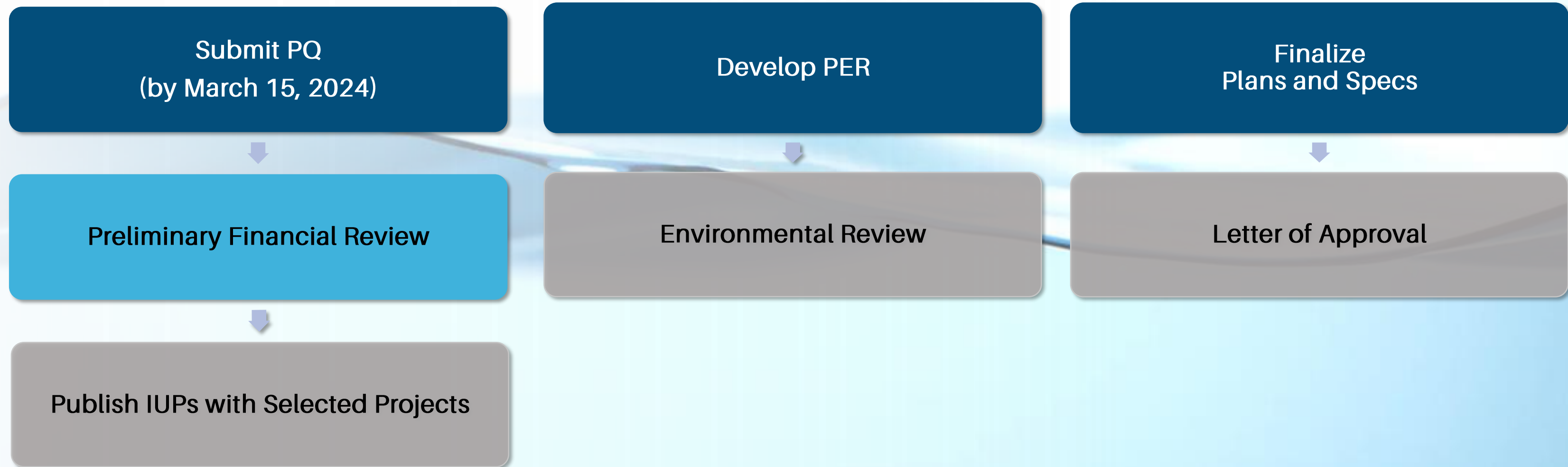
The Process

Key:

Sponsor/Engineer

DHEC

RIA



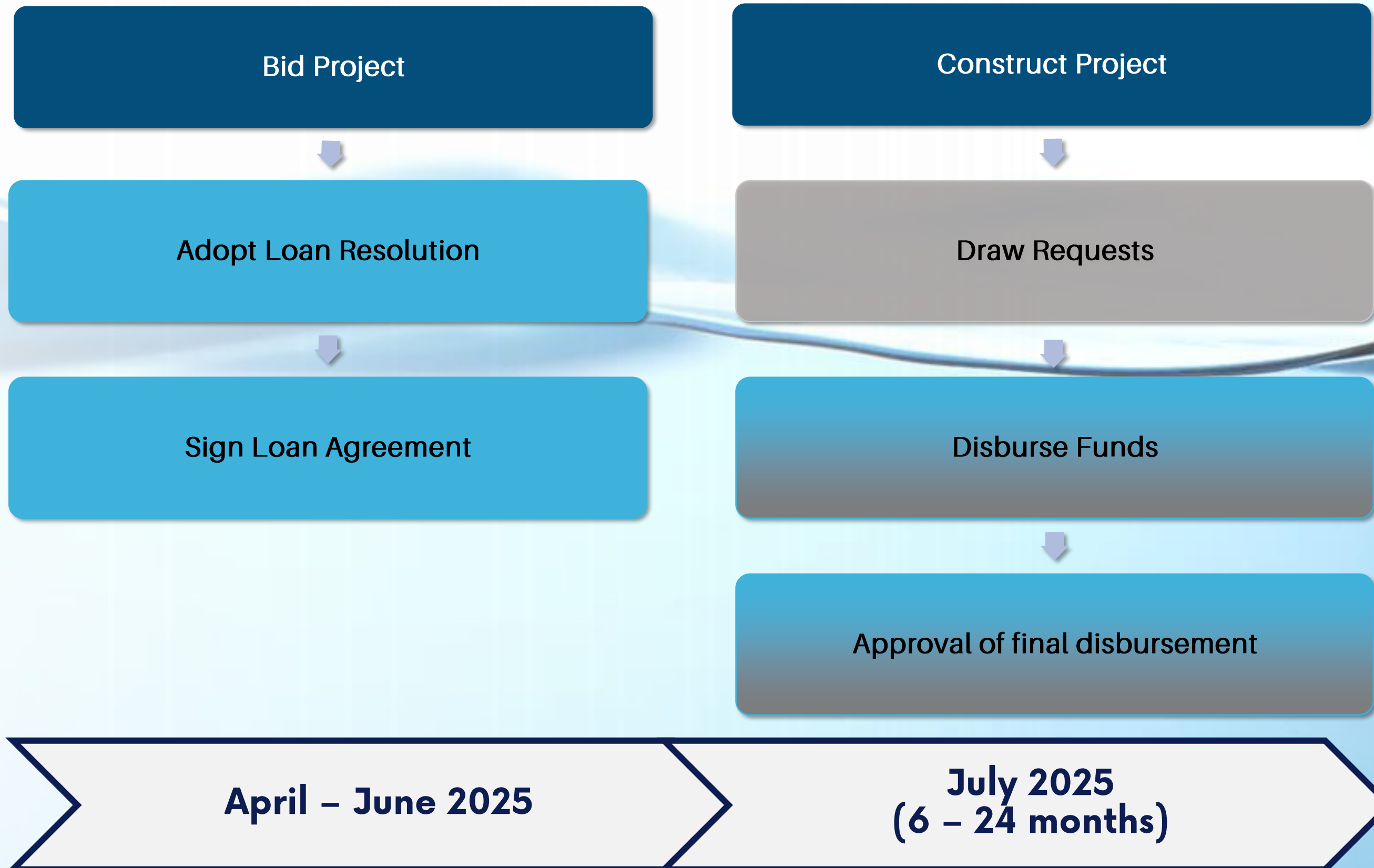
The Process

Key:

Sponsor/Engineer

DHEC

RIA



Lead Service Line Replacements



Project Questionnaires & Selection Process

- PQs
- Intended Use Plan
- Selected Projects



Project Questionnaires (PQ)

- Submit a two-page Project Questionnaire (PQ) to DHEC
- Available at: scdhec.gov/srfcall
- PQs are due by **March 15, 2024**
- Email completed PQs to SRF-Info@dhec.sc.gov and include supporting documentation

	Project Questionnaire Drinking Water State Revolving Fund	
		SCDHEC Use Only SRF - _____
GENERAL INFORMATION		
1. Project Sponsor _____		
2. Sponsor Address _____		
3. Sponsor Contact _____ Title _____ Contact Phone _____ Email _____		
4. Consultant (if known) Firm _____ Engineer _____ Engineer Phone _____ Email _____		
5. PQ submitted by <input type="checkbox"/> Sponsor <input type="checkbox"/> Consultant <i>If a consultant submits this form, include a letter indicating the sponsor's consent for the project.</i>		
6. Date Submitted _____		
PROJECT INFORMATION (Please refer to instructions.)		
7. Project Title _____		
8. County where project takes place _____		
9. Describe and define the project location. Please supply any coordinates or street addresses . <input type="checkbox"/> Project map(s) are attached showing both a regional view and a project level view.		
10. Project Description - Describe the scope of the project.		
11. Describe in specific detail how the project will protect / improve public health or achieve / maintain compliance with drinking water standards. (Attach evidence of deficiencies.)		
DHEC 3463 (10/2023)	SC Department of Health and Environmental Control	Page 1

Intended Use Plans

Published Annually



Federal FY 2023 DWSRF
Emerging Contaminants Grant
Intended Use Plan
For State FY 2024
FINAL
July 21, 2023

SCDHEC
Bureau of Water
2600 Bull Street
Columbia, SC 29201
www.scdhec.gov/srf

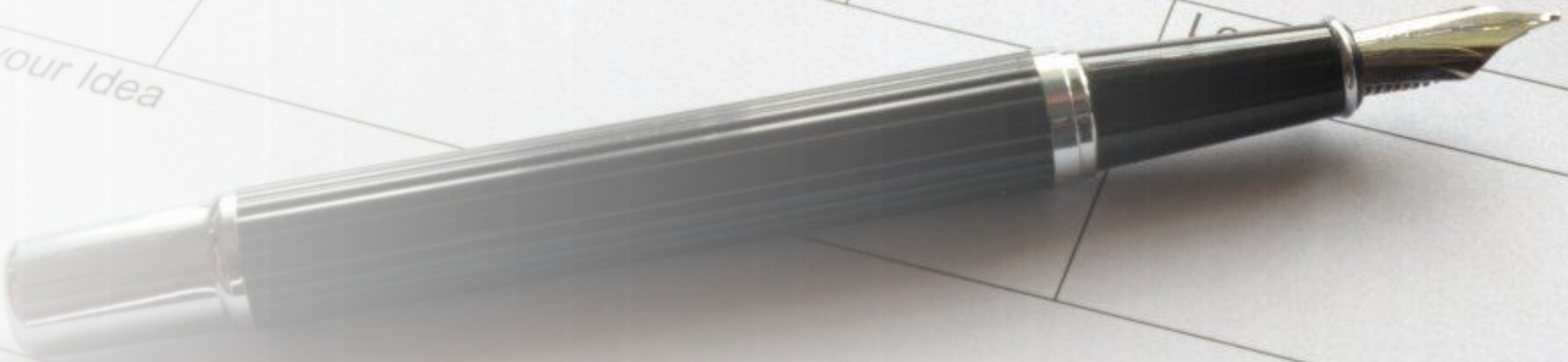


- Describes program goals, priorities and how funds are used
- Describes eligibility and method for selecting projects
- Identifies selected projects for coming fiscal year
- Provides a 30-day public comment period
- Includes list of projects selected for funding

SRF Financial Requirements

LOAN APPLICATION

Name		Address		Age	Date
Occupation		Address		Age	Date
Note your Idea					
Monthly Income					
Order					



Lead Service Line Replacements

Project Funding

Loan

+

Minimum 49% All
Principal Forgiveness



Loan Policies

- Updated in October
- Published on website:
www.ria.sc.gov
- Policies
 - Interest rates
 - Loan terms
 - Loan fees
 - Security
 - Repayment policies



Current Interest Rates for FY24:

Standard Rate

2.1%

Green Rate

1.6%

Small System Rate

1.6%

Loan Terms

Maximum of 20 years

Shorter Terms Available

- 8-14 years: 30 basis points less than the standard rate
- Up to 7 years: 50 basis points less than the standard rate

Security

One or more dedicated sources of revenue:

- Revenue pledge: user charges or special assessments
- General Obligation pledge: general taxes

When SRF loan is on parity with existing revenue bond debt:

- Rate covenant of the governing Bond Ordinance/Resolution applies, unless less than 110%

Minimum SRF Debt Coverage:

- 110% of debt secured by or paid from revenues of the system

Debt Service Reserve Fund

- May be required for loan secured by system revenues
- Not required for borrowers with underlying revenue rating in at least the "A" category by S&P and/or Moody's
- Not required for a GO loans
- DSRF held by trustee bank or State Treasurer, if permitted by governing Bond Ordinance/Resolution

Loan Closing Fees

Example:

Loan	\$1,000,000
Closing fee	.50%
Cost	\$ 5,000

- ❖ Fees are not eligible for inclusion in the loan.





SRF Loan Applications

Loan Applications

- ✓ OLG sends fillable application form
- ✓ Short form for repeat "AA" rated customers
- ✓ Accepted October 1 to July 31 each fiscal year

FY 2023 Drinking Water SRF Loan Application - Revenue Security											
OFFICE OF LOCAL GOVERNMENT (OLG) - SC RURAL INFRASTRUCTURE AUTHORITY											
STATE DRINKING WATER REVOLVING LOAN FUND											
READ ACCOMPANYING INSTRUCTIONS CAREFULLY BEFORE COMPLETING THIS FORM											
SECTION A - GENERAL INFORMATION											
1. NAME OF LEGAL APPLICANT:									7. LOAN AMOUNT REQUESTED:		
2. MAILING ADDRESS:									8. TERM(S) REQUESTED:		years
									9. INTEREST RATE REQUESTED: See Loan Policies		
									Standard		Green
									Small System		
3. CHIEF EXECUTIVE OFFICIAL:									10. COUNTY:		
Name:											
Title:											
Phone:											
Email:											
4. APPLICANT'S PRIMARY CONTACT PERSON:									11. BOND COUNSEL:		Attachment #
Name:									Name:		
									Firm:		
									Address:		
									Phone:		

Loan Applications

General Information

- ✓ System service area
- ✓ Largest employers

Proposed Project

- ✓ Description
- ✓ Budget
- ✓ Schedule
- ✓ Land/Easements

System Information

- ✓ Existing facilities/Capacity
- ✓ Rate structure/Average usage
- ✓ Customer data/Trends
- ✓ Revenues
- ✓ Operating Budgets
- ✓ Capital Improvement Plan
- ✓ System transfers
- ✓ Debt
- ✓ Audits

Key Credit Review Factors

- ✓ Local socio/economic conditions
- ✓ Top customers as a % of total user charges revenue
- ✓ Rates compared to MHI
 - ✓ Recent or planned rate increases
- ✓ Debt Service coverage
- ✓ Cash resources
- ✓ System transfers

Loan Closing

- Loan agreement between the borrower and the SC water quality revolving fund authority
- Loan agreement becomes part of the bond ordinance/resolution adopted by the governing body to authorize debt
- Bond and local counsel opinions
- Trustee/custodian agreement
- Additional bonds test of governing bond ordinance/resolution for parity debt
- Title opinion for land, right-of-way (ROW) or easements, if required
- The loan agreement will detail the % split between principal forgiveness and loan.

Available Resources



WEBSITE

scdhec.gov/srfcall



GUIDES

Download or print



REQUIREMENTS TABLES



CONTACT

srf-info@dhec.sc.gov

LEAD SERVICE LINE REPLACEMENT FUNDING

APPLICATIONS DUE BY MARCH 15, 2024



ADVANTAGES

Significant Principal
Forgiveness for all
eligible projects

+

SRF Project Manager to help
meet all federal requirements



LOAN + PRINCIPAL FORGIVENESS

Combined
Principal Forgiveness
of at least 49%

+

SRF Loan



ELIGIBLE EXPENSES

Replacement of lead service
lines and galvanized pipes
downstream of lead fittings

**Replacement of mains is
not an eligible expense*



Thank you!

www.scdhec.gov/srf

www.ria.sc.gov/loans