



DRINKING WATER SRF

Low-interest Loans for Public Drinking Water Facilities

SRF for Drinking Water

The Drinking Water SRF offers long-term, low-interest loans for public drinking water facilities.

Since 1998 SC has received \$192 million in federal and state matching funds to capitalize the DWSRF for loans. After adding investment earnings and repayments, over \$278 million in loans have been closed, ranging in size from under \$500,000 to \$14 million.

For FY 2017 approximately \$70 million is available for projects at interest rates ranging from 1.00% to 1.90%.

DHEC handles the technical portions of the program, while the Office of Local Government (OLG) makes the loans and manages the financial aspects of the DWSRF.

Eligible Applicants

Municipalities, counties, special purpose districts, and private non-profit corporations.

Eligible Activities

Water supply/distribution facilities needed to achieve or maintain compliance with the Safe Drinking Water Act, relocation of water lines for highway widening, and "green" projects.

General Loan Terms and Policies

- Very low interest rates.
- Fixed rate financing for up to 20 years which may be extended up to 30 years if MHI less than State.
- Availability of deferral periods on principal and interest through construction.
- Up to 100% financing of all eligible costs.
- Opportunity to refinance design engineering costs.

Financial Requirements

Each applicant must establish a dedicated repayment source with enough revenues to operate and maintain the system and pay debt service over the life of the loan. Primary sources are user charges, special assessments and general taxes.

A debt service reserve fund (DSRF), equal to one year of principal and interest, is required for loans secured by system revenues unless the borrower has current underlying revenue ratings in at least the "A" category from S&P/Moody's. Also, no DSRF is required for any general obligation loan secured by taxes.

Cost Savings

The very low DWSRF interest rates for FY 2017 significantly reduce annual debt service costs, as well as the total amount paid over the life of the loan. Such savings directly benefit the rate paying customers and the system.

Also see "Interest Rates for FY 2017"

Loan Closing Fee

A loan closing fee of 0.35% of the amount borrowed is charged to support DWSRF operating expenses. This closing fee, which is much less than the total costs involved in issuing revenue bonds, is eligible for inclusion in the loan.

Federal Requirements

Federal requirements are those that generally apply to federally-funded construction projects, including Davis-Bacon and American Iron & Steel. Some projects will require an environmental review, but DHEC obtains the agency responses for the borrower after receiving a preliminary engineering report (PER). In all loans under \$5 million, or that qualify for the small system or hardship interest rates, some federal requirements may be eliminated.

Priority List

- All projects must be on the DWSRF Priority List to be eligible for a loan. Projects may be added to the list at any time by submitting a project questionnaire.
- *Readiness to proceed and water quality are primary factors determining priority. If certain milestone dates are not met, projects may be replaced with those that can move forward expeditiously.*

Application Timetable

From October 1 through July 31 of each fiscal year, the OLG will accept loan applications for DHEC approved projects.

How to Obtain a Loan

- Submit project questionnaire to DHEC (Contact DHEC or form at www.scdhec.gov/srf).
- Contact OLG to find out what preliminary financial information needs to be submitted.
- Consult with DHEC for guidance on preparing a PER and the plans and specifications.
- Submit loan application to OLG about 30 days prior to sending plans & specs to DHEC.

For Further Information

Trish Comp (803) 737-3808

tcomp@ria.sc.gov

