



## Legislation Text

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File #: 24-0305, Version: 1

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### **CITY COUNCIL AGENDA ITEM**

#### **ACTION REQUESTED:**

Pass the ordinance authorizing the City to enter into a proposed loan agreement pursuant to the Illinois Environmental Protection Agency Water Pollution Control Loan Program

**DEPARTMENT:** Water Utilities

**SUBMITTED BY:** Darrell Blenniss, Director

#### **BOARD/COMMISSION REVIEW:**

N/A

#### **BACKGROUND:**

The City is pursuing low-interest Illinois Environmental Protection Agency (IEPA) Water Pollution Control Loans in the amount of \$106,858,200 to fund multiple projects over the next several years. These projects will improve performance and reliability, increase capacity, and keep the City in compliance with state and federal regulations. The improvements include the infrastructure needed to meet future phosphorous limits. Completing the projects in phases allows for uninterrupted service during construction.

A public hearing was held at the December 19, 2023, City Council meeting, followed by a 15-day public comment period. No comments were received. The next required item is an ordinance authorizing the City to borrow funds from the Water Pollution Control Loan Program.

Because program funding is limited, potential projects are scored and prioritized to determine which will have available funds reserved for them during the next fiscal year. During the first six months of the fiscal year, funding is only available for projects with approved planning that have been scored and are on the intended funding list (IFL).

To be eligible for the next funding cycle beginning on July 1, 2024, funding nominations are due by March 31, 2024.

#### **DISCUSSION:**

The SWRC South Plant Grit and Return Activated Sludge (RAS) Improvements project is the first of several projects suitable for an IEPA loan and ready for funding nomination submittal. The portion of the loan allocated to this first project is \$12 million.

The attached draft ordinance is based on a sample ordinance provided by IEPA for home rule entities. This ordinance was reviewed by the Legal Department and modified accordingly. This ordinance will apply to the phased projects included in the original loan application and passing the

ordinance will improve the City's application score. Separate funding nominations will be submitted for each project as they are planned and scheduled.

Staff in the Finance Department have consulted with the City's bond advisor, Speer Financial, and received a favorable opinion on the use of IEPA loans as a low-interest financing mechanism for Water Utilities projects. Staff will work with Speer to ensure that IEPA loans are appropriately managed within current and future debt service schedules for the Water Utilities Fund.

**FISCAL IMPACT:**

The loan amount included in the proposed ordinance is \$12 million with an estimated interest rate of 2% for 20 years. The 2023 interest rate was 1.81%, however, the 2024 interest rate has not been established. Interest rates for IEPA loans are generally lower than rates on general obligation bonds and other financing sources. Annual repayment is approximately \$735,000.