

Illinois Environmental Protection Agency State Revolving Fund (SRF) Loan Programs

Financing Option for Wastewater/Water Infrastructure

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Central States Water Environment Association
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Infrastructure Financial Assistance Section

State Revolving Fund (SRF) Loan Programs

Water Pollution Control Loan Program (WPCLP)

Public Water Supply Loan Program (PWSLP)

Illinois Environmental Protection Agency Bureau of Water
Infrastructure Financial Assistance Section

Section Manager – Vacant

Pre-Construction Unit Managers: Gary Bingenheimer & Heidi Allen

Planning Report Review, Environmental Clearances, Plan/Specification Review, Project Loan Eligibility Issues, Loan Application Package, Financial Information Package, Bid Package Review, Loan Agreements

Post-Construction Unit Manager: Ellen Perry

Executed Contracts, Disbursements, Change Orders, Billing/Repayments, Loan Amendments/Repayment Amendments/Loan Closing

Finance Manager: Kevin Bryant

Monthly/Annual Financial Statements, Coordinate Leverage Bond Activities, Cash Flow/Financial Analysis/Modeling, Manage Financial & Single Audits

Illinois EPA State Revolving Fund Loan Programs

- * Water Pollution Control Loan Program
 - started as grant program in 1972
 - transitioned to loan program in 1988
- * Public Water Supply Loan Program
 - started loan program in 1996

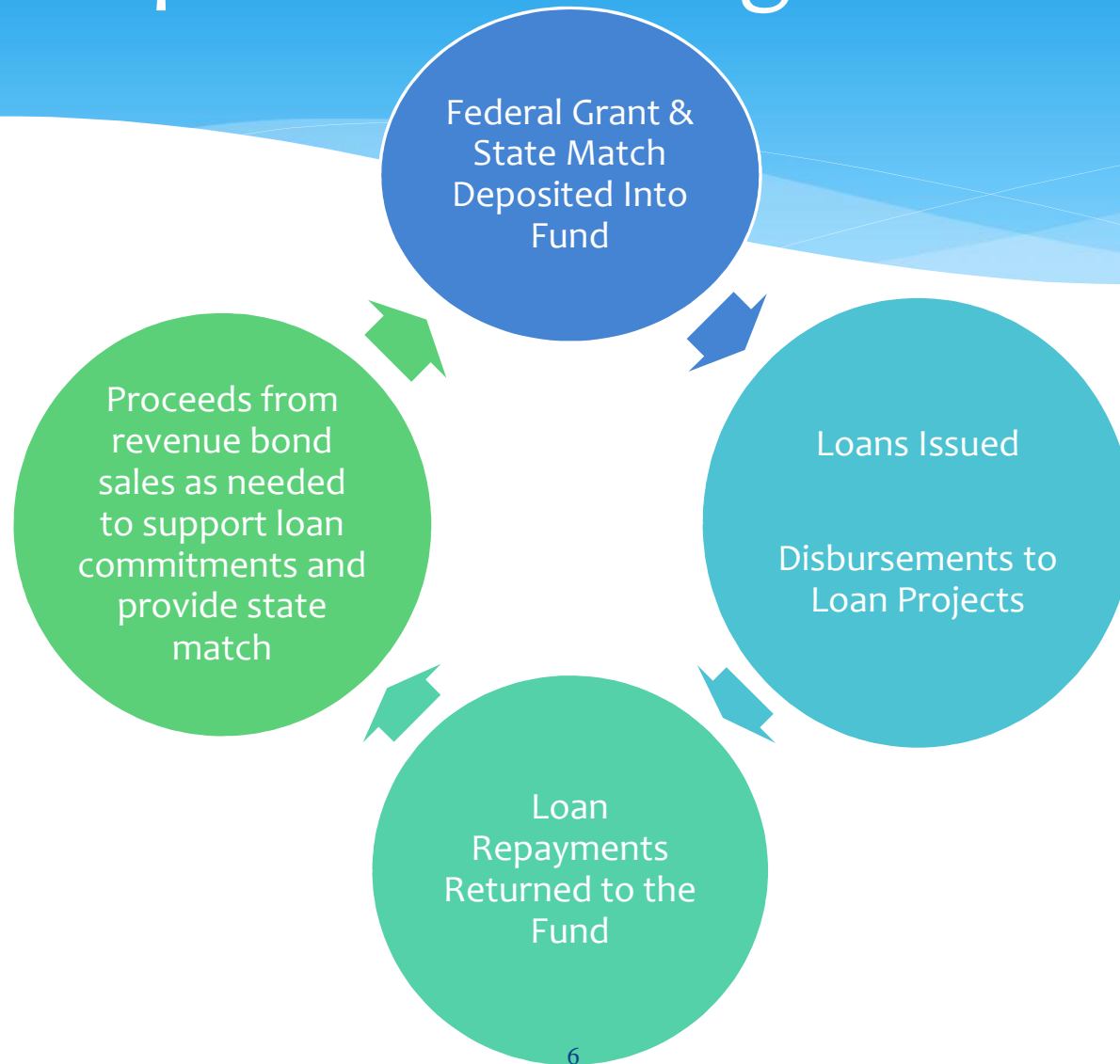
Historical Funding - Combined WPCLP & PWSLP Loan Programs

- * 2011 – 100 Loans - \$532 M
- * 2012 – 62 Loans - \$260 M
- * 2013 – 49 Loans - \$462
- * 2014 – 80 Loans - \$502 M
- * 2015 – 45 Loans - \$384 M
- * 2016 – 60 Loans - \$850 M Projected

Explanation of IEPA SRF Loan Program Funding Sources

- * Federal Capitalization Grant – Annual grant from USEPA to each state SRF program (WPCLP & PWSLP).
- * State Match – Each capitalization grant requires a 20% match of state fund. Future match will come from bond proceeds.
- * Fund Equity – Loan repayments, cash on hand from previous capitalization grants and state match.
- * Bond Proceeds – Proceeds from sale of revenue bonds as cash flow modeling indicates to support loan commitments.

Concept of Revolving Loan Fund



State Revolving Fund Programs Interest Rates

- * Interest Rate for FY2010 and FY2011 - 1.25%
- * Interest Rate for FY2012 – 2.295%
- * Interest Rate for FY2013 – 1.93%
- * Interest Rate for FY2014 – 1.995%
- * Interest Rate for FY2015 – 2.21%
- * Interest Rate for FY2016 – 1.86%
- * Fiscal Year Interest Rate established annually October 1 and is based on the mean interest rate of the 20 General Obligation Bond Buyer Index from October 1 through September 30 of preceding fiscal year.
- * No longer a minimum rate.

IEPA SRF Basics I

- * Fiscal Year begins October 1st
- * Fiscal Year loan interest rate established October 1st
- * Loan Agreement can be executed at any time throughout the year
- * “Planning Report” can be submitted ANY time
 - * Wastewater projects – “Facilities Plan” per loan rules
 - * Drinking water projects – “Project Plan” per loan rules
- * Planning Report should be accompanied by a Pre-Application

IEPA SRF Basics II

- * **Planning Report** – Key document that begins the Agency working with loan applicant towards funding. Can be submitted at ANY time. Wastewater – “Facilities” Plan. Drinking Water – “Project” Plan.
- * Submit Three (3) Copies of Planning Report along with the **Planning Submittal Checklist**. Checklist is a “cheat sheet” for what needs to be in a Planning Report.
- * If construction or NPDES permit application(s) have been submitted, please note in planning submittal cover letter.
- * Final design NOT needed at the time of Planning submittal!

Obtaining Funding

“Full and Complete Loan Application”

- * **Approved Facilities Plan or Project Plan** - Requires environmental sign-offs from the appropriate state and/or federal agencies. IDNR, IHPA, Corps of Engineers. Also requires public notification process.
- * **Approved construction permit(s)**
- * **Certification of Plans/Specifications Compliance with Loan Rules –**
Final design plans and specifications
- * **Loan Application Form** and supporting information
- * **Financial Information Checklist and Program Financial Requirements** and supporting information/ordinances
- * **Approved engineering agreements for design and construction services (if loan funding requested).**

Obtaining Funding

“Full and Complete Loan Application”

- * **Executive Compensation Data (“5 Officer Form”)**
- * Verify registration of loan applicant with Central Contractor Registry – guidance available on Agency website
- * If applicable, executed legal and/or intergovernmental agreements necessary for project implementation
- * **Bid Certification Form** and all associated required information

Important Reminders

- * Davis-Bacon Act wage rates and rules will continue to apply to all assistance agreements.
- * Engineers and Contractors must comply with Disadvantaged Business Enterprise (DBE) requirements which have replaced MBE/WBE requirements. Similar, but some changes in how to comply. Guidance available on Agency website.

Water Resources Reform and Development Act of 2014 (WRRDA)

- * June 10, 2014, President Obama signed WRRDA into law which amends Titles I, II, V and VI of the Federal Water Pollution Control Act (Clean Water Act).
- * Most changes to Title VI (which created the Clean Water State Revolving Fund)
- * Most changes took effect October 1, 2014
- * Substantial Changes to **Wastewater** SRF Loan program eligibilities, application requirements and loan program operations

WRRDA Impacts

- * Clean Water Act Section 603(c) previously contained only 3 categories of eligible SRF projects
- * (a) construction of publicly owned **“treatment works”** as defined in Section 212
- * (b) implementation of a management program established under Section 319 (**non-point source**)
- * (c) development and implementation of a conservation and management plan under Section 320 (**national estuary program**)

WRRDA Impacts

- * WRRDA expands eligibility to 11 categories
- * Each category has independent eligibility, criteria and requirements.
- * All “Treatment works” projects as defined in Section 212 of the Clean Water Act must meet the following three requirements
 - * Environmental Review of potential environmental impacts
 - * Apply Davis Bacon wage provisions
 - * Apply American Iron and Steel

WRRDA – Engineering Procurement

- * Section 603(b)(14) – a contract to be carried out with funds directly made available by a capitalization grantshall be negotiated in the same manner as a contract for architectural and engineering services is negotiated under Chapter 11 of title 40, USC, or an equivalent State qualifications based requirement.
- * IEPA's wastewater loan program intends to satisfy this requirement by reporting on SRF funded projects which total a \$ amount that equals the federal capitalization grant that either;
 - * Do not contain engineering costs as part of the SRF loan, or
 - * Procured SRF funded engineering costs through a qualifications based selection process satisfying the requirements of Section 603(b)(14) of the Clean Water Act.

WRRDA – Fiscal Sustainability Plan

- * All applications received after October 1, 2014 will be required to develop and implement a Fiscal Sustainability Plan, or certify a plan has been developed that meets criteria that includes;
 - * inventory of critical assets that are part of the treatment works
 - * evaluation of the condition and performance of inventoried assets
 - * Certification that the recipient has evaluated and will be implementing water and energy conservation efforts as part of the plan
 - * A plan for maintaining, repairing, and, as necessary, replacing treatment works and a plan for funding such activities

WRRDA – 30 Year Loans

- * Section 603(d) modified to allow for loans not to exceed the lesser of 30 years (previously 20 years) and the projected useful life of the project to be financed.
- * Illinois Implementation
 - * Final details still under consideration
 - * Potential for discounted interest rates for small communities and communities who are “economically disadvantaged”
 - * “Economically disadvantaged” likely to be defined by some combination of median household income (MHI), annual average residential customer charge for sewer service vs. MHI and unemployment rate

Potential Changes On Horizon Pending Rules Modifications

- * Fiscal Year - Switching to July 1-June 30
- * Interest Rate will adjust on July 1 instead of October 1
- * Potential to qualify for 30 year loans
- * Potential to apply to restructure existing loan from 20 year term to 30 year term
- * Potential for interest rates below the “base rate”
- * Interest rate reductions for projects which contain substantial components qualifying as “green infrastructure”

Potential Changes On Horizon

Pending Rules Modifications

- * Reduced interest rates & 30 year loan term - Criteria
 - * Small Community Rate (less than 25,000) – 75% of Base Rate
 - * MHI less than state average
 - * Unemployment rate greater than state average
 - * Monthly User Charges greater than 1.0% of MHI
 - * Hardship Rate (less than 10,000) – 1.0% Interest Rate
 - * MHI less than 70% of state average
 - * Unemployment rate 3.0% greater than state average
 - * Monthly User Charges greater than 1.5% of MHI

Potential Changes On Horizon

Pending Rules Modifications

- * “Restructuring” of existing loans from 20 to 3 years
 - * Must qualify for the Small Community Rate or Hardship Rate
 - * Would add 10 years to existing term (not a new 30 years)
 - * Request to “restructure” existing loan must be submitted to the Agency along with an updated Financial Information Package documenting the criteria that qualify the loan recipient for restructuring of existing loan agreement. Detailed user charge and rate information may be necessary.

Need Help with the Process?

- * The Illinois EPA Website is periodically updated with new program information and links to important program documentation. Forms and documents needed to execute a full and complete loan application are also there.
- * Financial Assistance Section – 217-782-2027