

**The Clean Water Initiative**  
**Illinois EPA SRF Loan Programs**  
Financing Options for Water/Wastewater Improvements

Regulatory Update Illinois Section of AWWA

Elgin, Illinois  
October 3, 2013

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**Illinois Environmental Protection Agency**  
**Bureau of Water**  
**Infrastructure Financial Assistance Section**

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**State Revolving Fund (SRF) Loan Programs**  
Water Pollution Control Loan Program (WPCLP)  
Public Water Supply Loan Program (PWSLP)

Administered by Illinois Environmental Protection Agency  
Bureau of Water  
Infrastructure Financial Assistance Section

Geoff Andres, Section Manager - 217-782-2027

Pre-Construction Unit Managers: Gary Bingenheimer & Heidi Allen  
Planning Reports, Plan/Specification Review, Project Loan Eligibility Issues,  
Loan Application Form, Financial Information Package, Bid Package Review,  
Loan Agreements, Change Order Review

Post-Construction Unit Manager: Kevin Bryant & Ellen Perry  
Change Orders, Disbursements, Loan Closeouts, Repayments

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## Illinois EPA State Revolving Fund Loan Programs

- \* Water Pollution Control Loan Program
  - started as grant program in 1972
  - transitioned to loan program in 1987
- \* Public Water Supply Loan Program
  - started loan program in 1996

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## Historical Funding WPCLP & PWSLP Loan Programs

- \* 2007 – 38 Loans - \$187 M
- \* 2008 – 32 Loans - \$175 M
- \* 2009 – 150 Loans - \$582 M (ARRA 16 months)
- \* 2010 – 41 Loans - \$289 M (4 months)
- \* 2011 – 100 Loans - \$532 M
- \* 2012 – 62 Loans - \$260 M
- \* 2013 – 49 Loans - \$462
- \* 2014 – Similar \$\$ to FY2013

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## Clean Water Initiative

- \* Governor Quinn announced \$1 Billion initiative to expand funding for wastewater and drinking water projects in Illinois communities
- \* Money will be available through the IEPA SRF loan programs in partnership with the Illinois Finance Authority
- \* Regular IEPA SRF loan program rules, project eligibility and interest rates apply

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## Loan Program Funding Sources FY2012 Wastewater

- Federal Cap Grant - \$63,919,000

- State Match (20% of Grant) - \$12,783,800

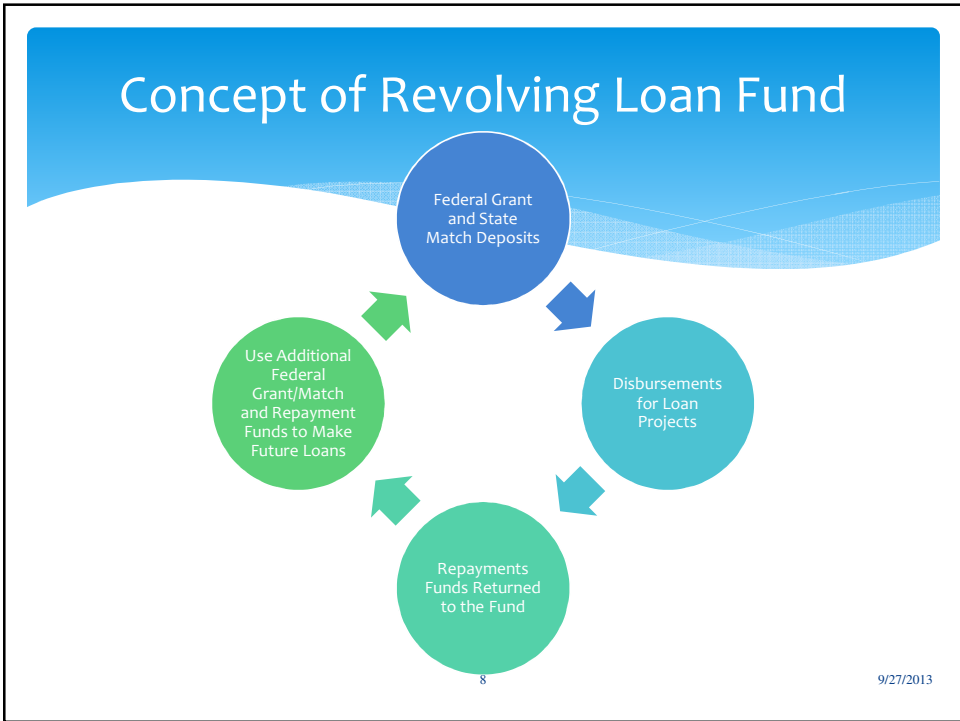
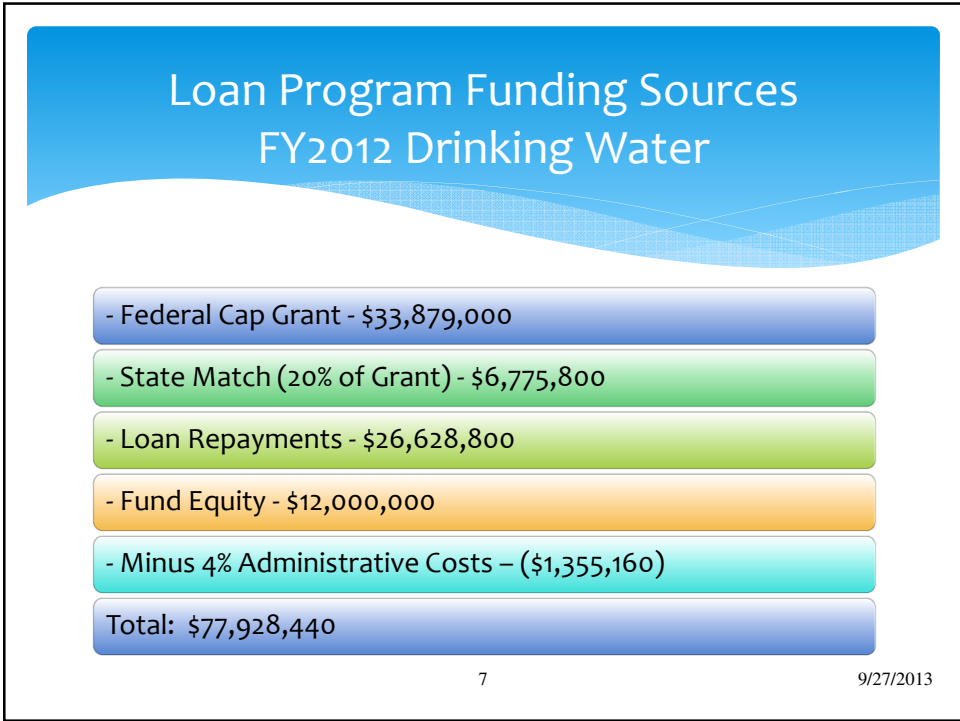
- Loan Repayments - \$156,196,800

- Fund Equity - \$6,500,000

Total: \$239,399,600

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## State Revolving Fund Programs Interest Rates

- \* Loans are Simple Interest
- \* Interest Rate for FY2008 – 2.5% (Former Minimum)
- \* Interest Rate for FY2009 - 0.0% (ARRA)
- \* Interest Rate for FY2010 and FY2011 - 1.25% (Special)
- \* Interest Rate for FY2012 – 2.295%
- \* Interest Rate for FY2013 – 1.93%
- \* **Anticipated Interest Rate for FY2014 – 2.00%**
- \* Fiscal Year Interest Rate established October 1 for the next 12 months and is based on the mean interest rate of the 20 General Obligation Bond Buyer Index from October 1 through September 30 of the preceding fiscal year. No longer a minimum rate.

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## FY 2014 Funding

- \* FY 2014 spans October 1, 2013 through September 30, 2014.
- \* Planning Reports accepted ANY time. Planning report review and approval is historically most time consuming part of loan process. The sooner you can submit the Planning Report the sooner you can finalize design, proceed to bid and obtain loan.
- \* If sufficient progress has been made towards a “full and complete loan application package” a project can go out to bid anytime provided funding is available. Projects should be ready to advertise for bids before July 15 in order to receive funding prior to the end of our fiscal year.
- \* Projects may go out to bid at anytime but should be sure all loan program and permitting requirements can be met prior to the expiration of bids and award of the loan agreement. **Maintaining contact with IEPA SRF Project Manager is critical to ensure adequate progress is being made and funding is available.**
- \* Principal Forgiveness NOT anticipated for FY2014.

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## 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.

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## IEPA SRF Basics I

- \* Fiscal Year begins October 1<sup>st</sup>
- \* Fiscal Year loan interest rate established October 1<sup>st</sup>
- \* Pre-Application must be submitted ANNUALLY by March 31<sup>st</sup> to initiate application for funding.
- \* Pre-Application places your project on the Project Priority List for **following** fiscal year. Project Priority List is NOT!! a list of who is most likely to get funding – Only a list of who has indicated an interest in pursuing loan funding.
- \* Initial Pre-Application submittal can be accompanied by a Planning Report. Planning Report can be submitted ANY time.

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## 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**.
- \* If construction or NPDES permit application(s) have already been submitted, this should be noted in cover letter.
- \* Final design or full blown Engineering Report NOT needed at the time of Planning submittal!

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## Significant Change to Planning Report Requirements made in 2010

- \* Latest revisions to loan rules made a major change to the Planning Report requirements.
- \* REMOVED: “Demonstrate by a systematic evaluation of feasible alternatives that the proposed facilities represent the cost-effective means ...”
- \* Alternatives no longer required (Anti-deg may apply).
- \* MUST demonstrate the “need” for the project. Agency will confirm/verify that there are no other “higher priority” system improvements needed.

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## 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.
- \* **Loan Application Form** and supporting information
- \* **Certification of Plans/Specifications Compliance with Loan Rules** – Final design plans and specifications
- \* Approved **construction permit(s)**
- \* **Financial Information Checklist and Program Financial Requirements** and supporting information/ordinances
- \* **Approved engineering agreements for design and construction services (if loan funded).**

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## Obtaining Funding “Full and Complete Loan Application”

- \* **EPA Form 4700-4** Pre-award Compliance Review Report
- \* **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

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# Handouts

- \* Submittals & Milestones for IEPA Drinking Water Loans
- \* Submittals & Milestones for IEPA Wastewater Loans

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# Post Construction Unit of Infrastructure and Financial Assistance Section

- \* Loan Issuance to Final Loan Amendment



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## What the Post-Construction Unit Looks for Prior to First Disbursement on a Loan

- \* Fully Executed Construction Contracts
- \* Including Performance Bonds, Payment Bonds and Proof of Insurance
- \* Proper Davis Bacon Language and Clauses in Contracts

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## How Post Construction Unit Handles Pay Requests

- \* We have to review all pay requests to assure that we are reimbursing only for eligible costs.
- \* When Line Item Construction Contracts are used, please submit Change Orders when Line Items have been exceeded.
- \* When the original construction completion date has passed, any invoices for construction observation are ineligible for loan participation. Either a time extension to extend the construction contract needs to be executed or these costs need to be handled through liquidated damages.

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## Loan Repayment Process

- \* The “first repayment date” in the original loan agreement is an estimated date based on the estimated date of the construction process at the time the loan is issued.
- \* The loan rules require that the first repayment must happen within one year of the initiation of operation or substantial completion of the project. The rules also require that the loan must be paid in full within 20 years of the same date.
- \* The Agency will initiate the repayment process by issuing a letter and loan amendment informing the loan recipient of the initial repayment schedule terms.

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## Loan Repayment Process [Continued]

- \* Usually the loan amendment putting the loan in repayment is prepared before the project is fully disbursed.
- \* After final costs have been determined and paid, a final repayment schedule will be established by adjusting the remaining repayments to account for any disbursements made after the loan started the repayment process.

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## Final Loan Closing – Process 1

- \* Starts with Final Change Order along with Final Pay Request being submitted to the Agency.
- \* Loan recipient should send 2 copies of Final Record Drawings to the appropriate Regional Office along with a written request for a final inspection.
- \* Regional Field Office will contact loan recipient to schedule final inspection.

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## Final Loan Closing - Process 2

- \* Certification from Loan Recipient that all bills have been paid and all lien waivers are on file.
- \* Certification from Loan Recipient that there is a Certified Operator and a Proper Operations and Maintenance Manual.
- \* Evidence of Flood Insurance
- \* Operating Permit
- \* Final Approved Inspection Report from our Regional Office

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## 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

\* Al Keller, Wastewater Permits Manager – 217-782-0610

\* David Cook, Drinking Water Permits Manager – 217-782-1724

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## Thank You

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