

State of Illinois
Public Water Supply Loan Program
Intended Use Plan Supplement
FY 2012
October 1, 2011 – September 30, 2012

A. Introduction

This document supplements the FY 2012 Draft Intended Use Plan (IUP) for the Public Water Supply Loan Program (PWSLP), as administered by the Illinois Environmental Protection Agency (IEPA) for the State of Illinois. The FY 2012 Draft IUP; available on the IEPA website at <http://www.epa.state.il.us/water/financial-assistance/publications/pwslp-draft-iup-fy2012.pdf>, was developed during the summer of 2011 and was considered at public hearing in conjunction with the FY2012 PWSLP program plan on September 21, 2011. This IUP Supplement for FY 2012 updates that draft document to provide loan applicants, potential loan applicants and the general public with additional direction regarding the intended uses of the Drinking Water State Revolving Fund (DWSRF) and the PWSLP in federal fiscal year 2012.

This IUP Supplement is intended to serve as an informational item in outlining the anticipated and intended uses of the DWSRF and the PWSLP during the FY 2012 bypass funding period, extending from April 1, 2012 through September 30, 2012. As previously detailed in the FY 2012 Draft IUP, loan funds were reserved for projects included on the IUP Reserved Funding List until they either completed loan applications or demonstrated that they were unable to proceed prior to March 31, 2012. Projects that were unable to proceed by that date have been “bypassed”, and while those projects have not lost their position or eligibility for funding from the Project Priority List (PPL), funds for bypassed projects will no longer be held in reserve and may thereafter, during the bypass funding period (April 1, 2012 through September 30, 2012), be awarded to any other project on the PPL that is able to complete a loan application. With this IUP Supplement, the IEPA is announcing the Bypass Period Funding List for FY 2012 based on the current status of loan applications and the relative status of projects proposed for funding from the PWSLP.

B. Program Characteristics

Public Water Supply Loan Program – The Illinois program will continue to consist of loans to units of local government and to those classes of privately owned community water supplies determined by the Illinois General Assembly to be acting as water utilities. These include not-for-profit and co-operative water utilities, and commercial water utilities regulated by the Illinois Commerce Commission. In FY2012, the Illinois program will continue to entertain projects and components of projects necessary to fulfill federal requirements for a Green Project Reserve (GPR), with the largest impact expected to involve water conservation, energy efficiency and system sustainability efforts in the State. Despite uncertainty regarding the federal GPR requirement, the Agency is taking steps to institutionalize certain green infrastructure practices and policies in the Illinois SRF programs.

Monies available are being managed under Loan Rules (35 IAC, Part 662 – effective November 8, 2010) established to govern the distribution of those funds. For FY 2012,

those rules provide for a fixed loan rate of 2.295%, with that rate established at one-half the market interest rate (the mean interest rate of the 20 General Obligation Bond Buyer Index). Additional subsidies (principal forgiveness) will be provided to certain loan recipients based on the Median Household Income (MHI) in the affected community relative to the statewide average MHI. Loan recipients in communities with a 2009 Median Household Income (MHI) that is less than the statewide average 2009 MHI of \$53,974 will benefit from principal forgiveness terms that will specify forgiveness of 25% of the original loan amount, with a maximum of \$1,000,000 provided to any individual recipient. These principal forgiveness terms are based on Congressional action that will require the State, during FY 2012, to provide additional subsidization to loan applicants in a total amount between \$6,775,800 and \$10,163,700, totals representing 20% and 30%, respectively, of the capitalization grant amount for Illinois. With the use of principal forgiveness terms in Illinois being managed judiciously, these subsidies are being targeted specifically to “disadvantaged communities” based on community income.

Loan awards will have a maximum term of 20 years from the initiation of operation, with initial repayments of principal to commence within one year of the initiation of operation as determined by the terms of each Loan Agreement.

C. Criteria and Method for Distribution of Funds

1. Financial Assistance Limitation – As previously detailed in the FY 2012 Draft IUP, PWSLP program rules established to govern the distribution of funding amounts will restrict the amount of PWSLP financial assistance provided to any single entity to a maximum of \$7,500,000.

Notwithstanding financial assistance limitations imposed under program rules, project costs in excess of the loan limitations may be eligible for loan assistance under the PWSLP, provided that funds are available in future fiscal years. In those instances where total project needs exceed the limitations of available funding, applicants will be encouraged to break a project into multiple segments for phased loan assistance, constructing first those project elements most significant in attaining or maintaining compliance objectives and reserving eligibility for future years as loan funds become subsequently available.

2. Project Priority List (PPL) Development – As previously detailed in the FY 2012 Draft IUP, The IEPA has developed and will maintain a Project Priority List (Attachment A) that identifies eligible applicants for assistance under this Intended Use Plan and is based on and includes all projects that submitted pre-applications between April 1, 2010 and March 31, 2011. Those projects that have achieved Project Planning approval in the PWSLP have been ranked and scored in accordance with the provisions of 35 Ill. Adm. Code Part 663, “Procedures and Requirements for Determining Loan Priorities of Projects in the Public Water Supply Loan Program”.

PWSLP funding was previously reserved for projects on the IUP Reserved Funding List until they either completed loan applications or demonstrated that they were unable to proceed prior to March 31, 2012. With this IUP Supplement, the IEPA is informing the public of the disposition of those projects that appeared on the IUP Reserved Funding List (Attachment A), and announcing plans for the conduct of business during the bypass

funding period (April 1, 2012 – September 30, 2012). Based on currently available loan funds and the relative status of loan applications for projects proposed for funding from the PWSLP, the IEPA has identified those projects that are expected to achieve a full and complete loan application and secure a PWSLP loan this fiscal year. Those projects are identified on the attached Bypass Period Funding List for FY 2012 (Attachment B).

With this IUP Supplement, the IEPA is announcing and instituting new policy that will directly affect the disposition of loan funds under the PWSLP; however it should be emphasized that this action is indicative of program policy historically utilized, and represents what is in effect a formalization of that policy. The nature of the PWSLP, and the volume of projects making application to the program, requires the IEPA to measure the progress of project applications in large part by their specific progress in the PWSLP; i.e. their progress in the facilities planning process. By formally recognizing the importance of project planning and the formal approval of a project plan. The IEPA is using this supplement to provide additional direction to loan applicants based on the current status of loan applications and the relative status of projects proposed for funding from the PWSLP.

The Bypass Period Funding List for FY 2012 details the estimated allocation of project funding within the limits of available funds. In accordance with the provisions of 35 Ill. Adm. Code Part 662, "Procedures for Issuing Loans from the Public Water Supply Loan Program", loan funds have previously been reserved for projects included on the IUP Reserved Funding List until they either completed loan applications or demonstrated that they would be unable to proceed prior to March 31, 2012. In the former case, projects for which funding was originally reserved have achieved a loan commitment under the PWSLP in either FY 2011 or FY 2012. In the latter case, projects for which funding was originally reserved have been bypassed for funding, with funds for bypassed projects no longer held in reserve and available for loan award to any project that completes a loan application during the bypass period. Please note that all bypassed projects remain on the Bypass Period Funding List (Attachment B), and may thereafter, during the bypass funding period, complete a loan application and secure a loan under the PWSLP.

D. Available Loan Resources

This IUP Supplement for FY2012 updates the available loan amounts for the Public Water Supply Loan Program (PWSLP) based on a \$917.9 million national allocation for the Drinking Water State Revolving Fund. Based on the existing allocation formula, Illinois' share of the national allocation will be \$33,879,000. The 20% State match is \$6,775,800, making the total of new capitalization funds available \$40,654,800; just \$783,600 above the capitalization amounts detailed in the (original) Draft Intended Use Plan for FY 2012. In addition, Illinois has repayment monies of \$26,628,800 available for obligation and will utilize the existing Fund balance to increase monies available for obligation in FY2012 by an additional \$12,000,000. The total of available loan dollars for FY2012 is \$79,283,600 based on those allocations.

In accordance with the Agency's standard practice, 4% of the federal capitalization grant amount (\$1,355,160) will be reserved for administration in the PWSLP, leaving a total of \$77,928,440 available for new loan obligations. A summary of available FY2012 funding is as follows:

Funds Available for FY2012 PWSLP Loans

FY2012 Capitalization Funds	\$ 33,879,000
FY2012 State Match	\$ 6,775,800
FY2012 Loan Repayments	\$ 26,628,800
FY2012 Fund Equity Drawdown	<u>\$ 12,000,000</u>
SUBTOTAL	\$ 79,283,600
Less 4%: FY2012 Administration	\$(1,355,160)
TOTAL	\$ 77,928,440

The demand for loan funds in FY2012 is sizable, and with this IUP Supplement, the IEPA is announcing and instituting new policy that is designed to formally recognize the importance of the project planning process and the formal approval of a Project Plan in the PWSLP. The nature of the PWSLP, and the volume of projects making application to the program, requires the IEPA to measure the progress of project applications in large part by their specific progress in the PWSLP; i.e. the status of project plan reviews and planning approvals, and this new policy is expected to enhance communication in the program by providing a specific identification of the projects expected to achieve loan commitments this fiscal year based on the current status of loan applications and the relative status of projects proposed for funding from the PWSLP.

The attached Bypass Period Funding List (Attachment B) is that specific identification of pending loan commitments in the PWSLP. All projects included on this list are expected to achieve Project Planning approval prior to May 15, 2012, and as such have been identified as those projects that are most ready to proceed based on application status in the PWSLP. The applications associated with the projects identified therein will be the focus of the IEPA in executing bypass period loans for FY 2012. For all other projects, the project planning review process at the IEPA will continue, with projects that achieve Project Planning approval after May 15, 2012 considered for funding to the greatest extent possible within the limit of available funds.

E. Public Review and Comment on the Intended Use Plan

This Intended Use Plan (IUP) Supplement, and the accompanying Bypass Period Funding List (Attachment B) are made available for informational purposes through this posting dated May 2, 2012. Additional information is available on the IEPA website, which can be accessed through the following link:

<http://www.epa.state.il.us/water/financial-assistance/state-revolving-fund.html>

Attachment A

Public Water Supply Loan Program

REVISED Draft FY2012 Intended Use Plan Reserved Funding Project List

Status	Applicant/Project	Project Number L17	Priority Rank	Loan Amount Requested
Funded FY2011	Anna (Construct 766,000 gallon tank)	3687	0001	\$1,200,000
Funded FY2012	Lena (New Well, Storage and Main)	1427	0002	7,150,000
BYPASSED²	Lost Lake Utility District (Main Replacement & New Well)	2837	0003	1,600,000
Funded FY2011	Stockton (Distribution System Upgrade)	4467	0004	1,300,000
Funded FY2011	Fithian (New Well & Main)	2673	0005	220,000
BYPASSED²	Rockford (Rehab Secondary Wells)	3131	0007	650,000
Funded FY2011	Wataga (Distribution System Upgrades)	3863	0008	450,000
Funded FY2011	Princeton (Replacement of WTP Phase 2) ¹	4560	0009	7,500,000
Funded FY2012	Clinton (Water Main Looping and Well)	3510	0010	450,000
Funded FY2011	Fairfield (New STP) ¹	2783	0011	7,500,000
Funded FY2011	Blue Island (Water Tank Rehabilitation)	4037	0012	1,200,000
Funded FY2011	Morrison (New Well #5)	2798	0013	3,140,000
Funded FY2011	Morrison (East End Water Main Ext./Looping)	3476	0014	800,000
Funded FY2012	Hainesville (Watermain Ext./Pineview)	3442	0015	40,000

Status	Applicant/Project	Project Number L17	Priority Rank	Loan Amount Requested
Funded FY2011	Chicago (Watermain Replacement Phase 3) ¹	4687	0017	7,500,000
Funded FY2011	Dawson (WTP Upgrade)	3256	0018	525,000
Funded FY2011	Merrionette Park (Pump Station Rehab)	3736	0019	900,000
Funded FY2011	Glencoe (Watermain Replacement)	4213	0020	3,300,000
Funded FY2011	Chandlerville (WTP Replacement)	3017	0021	1,625,000
Funded FY2012	Lake Iroquois Association (New WTP & Well)	2776	0022	850,000
BYPASSED ²	East Moline (Water Tower Replacement)	3066	0024	1,000,000
Funded FY2011	Alsip (Pump Station Replacement)	3566	0025	3,200,000
	TOTAL			\$52,100,000

¹ Loan amount requested was reduced due to "Limitation on Loan Assistance" (Section 662.470).

² Loan applicants have indicated that they are not ready to pursue funding in FY 2012. These projects will be bypassed for funding in FY 2012, but will remain eligible for funding in future fiscal years.

Attachment B
Public Water Supply Loan Program (PWSLP)
FY 2012 Bypass Period Funding List

Loan No. L17-	Loan Applicant	Project Description	Projected Loan
2940	Bellwood	Water Main Replacement	\$ 1,803,021
3510	Clinton	Watermain Extensions & Rehabilitation	\$ 1,202,998
3442	Hainesville	Water System Improvements	\$ 259,011
2776	Lake Iroquois	New Water Treatment Plant	\$ 1,464,000
1427	Lena	Water System Improvements	\$ 4,098,641
4522	North Park Public Water District	Booster Pump Station and Watermain	\$ 822,842
4851	Princeton	Water Treatment Plant Rehabilitation	\$ 7,500,000
2791	Ashton	Watermain Replacement and Storage Tank Rehabilitation	\$ 640,000
4693	Bannockburn	Watermain Replacement	\$ 950,000
4819	Bethalto	Water Treatment Plant Improvements	\$ 4,677,500
4533	Broadview-Westchester Water Commission	Reservoir Rehabilitation (includes L17-4534)	\$ 250,000
4530	Broadview-Westchester Water Commission	10th Avenue Pump Station	\$ 4,960,000
4190	Buffalo Grove	Pump Station Improvements	\$ 610,318
3113	Carbondale	Water Storage Improvements	\$ 3,900,000
3105	Carlock	New Water Treatment Plant: Arsenic	\$ 1,500,000
3817	Chapin	Water Treatment Plant Rehabilitation	\$ 1,821,197
4864	Chicago	Water Meters	\$ 7,500,000
3229	Country Club Hills	Meter Replacement/Storage Rehabilitation	\$ 640,000
4045	Dekalb	Water Main Replacement	\$ 362,000
4821	Dix-Kell WSC	Standpipe Rehabilitation	\$ 1,196,700
4861	DuQuoin	Water Main Replacement	\$ 834,050
4296	Evergreen Park	Meter Replacement	\$ 2,391,279
4849	Fairfield	Raw Water Transmission Main & Intake	\$ 3,800,000
4211	Fulton	Well #4 and Water Treatment Plant	\$ 1,877,000
2896	Glen Ellyn	Hill Avenue Watermain Extension	\$ 2,319,470
4050	Greenville	Water Main Replacement	\$ 700,000
4215	Harvey	Water Storage Tank Maintenance and Rehabilitation	\$ 5,698,267
4227	Hull	Water Tower Rehabilitation	\$ 250,000
4817	Kewanee	4th/5th Street Water Main Replacement	\$ 871,300
4816	Knoxville	Water Tower Rehabilitation	\$ 265,000
3375	Maple Park	Water Main Improvements	\$ 713,000
3440	Norridge	Water Main Replacement	\$ 590,000
4843	Otter Lake	UV Installation at Water Treatment Plant	\$ 2,000,000
4065	Paw Paw	Watermain Replacement	\$ 277,000
4070	Rolling Meadows	Watermain Replacement	\$ 1,500,000
4867	Taylorville	Cherokee Elevated Water Tower Rehabilitation	\$ 670,000
3859	Tower Lakes	Water Main Replacement	\$ 1,561,900
3861	Volo	Water Main Extensions	\$ 4,230,000
3270	Waverly	Water Treatment Plant Rehabilitation	\$ 732,000
			\$ 77,438,494

¹ FY 2012 funding previously issued