

**State of Illinois**  
**Water Pollution Control 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 Water Pollution Control Loan Program (WPCLP), 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/waste-water/index.html>, was developed during the summer of 2011 and was considered at public hearing in conjunction with the FY2011 WPCLP 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 Clean Water State Revolving Fund (SRF) and the WPCLP 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 SRF and the WPCLP 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 the projects that were 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 WPCLP.

**B. Program Characteristics**

Water Pollution Control Loan Program – The Illinois program will continue to consist of loans to units of local government for construction of new wastewater collection and treatment facilities, upgrade and expansion of existing facilities, replacement, upgrade or extension of collection systems and interceptors, and separation or upgrade of combined sewer systems to eliminate surcharges, overflows or flooding. In FY 2012, 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 come from the extension of SRF eligibility to storm water projects in certain vulnerable areas where water quality may be a particular concern. 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 365 – 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 previous participation in the program and 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, **provided that the affected community has not previously participated in principal forgiveness programs financed by the WPCLP.** If available, principal forgiveness terms will specify forgiveness of 25% of the original loan amount, with a maximum of \$1,000,000 provided to any individual recipient.

The use of additional subsidies in the WPCLP is based on Congressional action that will require the State, during FY 2012, to provide additional subsidization to loan applicants in a total amount between \$3,552,386 and \$5,328,580, totals that represent 20% and 30%, respectively, of the capitalization grant amount for Illinois after the first \$1 billion national allocation. With these required subsidy amounts having been reduced significantly over the past three fiscal years, the State of Illinois' use of principal forgiveness terms is being managed judiciously, with the required subsidies targeted specifically to "disadvantaged communities" based on community income and restricted to communities who have not benefitted, in the past three fiscal years, from the extremely favorable financing terms available during that time period.

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, WPCLP program rules established to govern the distribution of funding amounts will restrict the amount of WPCLP financial assistance provided to any single entity to a maximum of \$15,000,000, with the sole exception being the Metropolitan Water Reclamation District of Greater Chicago (MWRDGC), which will be limited to a maximum amount of \$75,000,000. This division reflects both the intent of the State to fund as many worthwhile projects as practicable from limited available resources, and to recognize the service population of the MWRDGC and its service area.

Notwithstanding financial assistance limitations imposed under program rules, project costs in excess of the loan limitations may be eligible for loan assistance under the WPCLP, 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 (PPL) that is based on and includes all projects that submitted pre-applications between April 1, 2010 and March 31, 2011, and as such identifies eligible applicants for assistance under the WPCLP for FY 2012. Those projects for which a pre-application was submitted, and for which Facilities Planning approval has not been achieved, have been added to the PPL by virtue of limited priority scoring and are listed on the PPL in alphabetical order. Those projects that have achieved Facilities Planning approval in the WPCLP have been ranked and scored in accordance with the provisions of 35 Ill. Adm. Code Part 366, “Procedures and Requirements for Determining Loan Priorities for Municipal Wastewater Treatment Works”, and by virtue of an approved Facilities Plan are considered to be the projects that are relatively advanced in terms of readiness to proceed in the WPCLP.

As previously detailed in the FY 2012 Draft IUP, WPCLP funding was reserved for projects on the IUP Reserved Funding List until they either completed loan applications prior to March 31, 2012 or demonstrated that they were unable to proceed prior to that date. 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 WPCLP, the IEPA has identified those projects that are expected to achieve a full and complete loan application and secure a WPCLP 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 WPCLP; 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 WPCLP, 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 WPCLP; i.e. their progress in the facilities planning process. By formally recognizing the importance of facilities planning and the formal approval of a Facilities 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 WPCLP.

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 365, “Procedures for Issuing Loans from the Water Pollution Control Loan Program”, loan funds have been previously 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. In the former case, projects for which funding was originally reserved have achieved a loan commitment under the FY 2011 or FY 2012 WPCLP. In the latter case, projects for which funding was originally reserved have been bypassed for funding, with funds for bypassed projects no longer being held in reserve and available for loan award to any project that completes a loan

application during the bypass period. Please note that 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 WPCLP.

**D. Available Loan Resources**

This IUP Supplement for FY2012 updates the available loan amounts for the Water Pollution Control Loan Program (WPCLP) based on a \$1,456.7 million national allocation for the Clean Water State Revolving Fund. Based on the existing allocation formula, Illinois' share of the national allocation will be \$63,919,000. The 20% State match is \$12,783,800, making the total of new capitalization funds available \$76,702,800; approximately \$40 million above the capitalization amounts detailed in the (original) Draft Intended Use Plan for FY 2012. In addition, Illinois has repayment monies of \$156,196,800 available for obligation and will utilize the existing Fund balance to increase monies available for obligation in FY2012 by an additional \$6,500,000. The total of available loan dollars for FY2012 is \$239,399,600 based on those allocations. A summary of available FY2012 funding is as follows:

**Funding Available for FY2012 WPCLP Projects**

FY2012 Capitalization Funds	\$63,919,000
FY2012 State Match	\$12,783,800
FY2012 Loan Repayments	\$156,196,800
FY2012 Fund Equity	<u>\$6,500,000</u>
<b>TOTAL</b>	<b>\$239,399,600</b>

The demand for loan funds in FY2012 again far exceeds available funding, and with this IUP Supplement, the IEPA is announcing and instituting new policy that is designed to formally recognize the importance of the facilities planning process and the formal approval of a Facilities Plan in the WPLCP. The nature of the WPCLP, 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 facilities planning process, i.e. the status of facilities 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. This identification is based on the current status of loan applications and the relative status of the projects proposed for funding from the WPCLP.

The attached Bypass Period Funding List (Attachment B) is that specific identification of pending loan commitments in the WPCLP. All projects included on this list are expected to achieve Facilities 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 WPCLP. The applications associated with the projects identified therein will be the focus of the IEPA in executing bypass period loans for FY 2012. If these projects are unable to make sufficient progress in completing the loan application process the funds anticipated to be awarded to those projects will be made available for other projects. For all other projects, the planning review process at the IEPA will continue, with projects

that achieve Facilities 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. The IEPA website can be accessed through the following link:

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

**Attachment A**

**Water Pollution Control Loan Program**

**REVISED Draft FY2012 Intended Use Plan Reserved Funding Project List**

<b>Status</b>	<b>Applicant/Project</b>	<b>Project Number L17</b>	<b>Priority Rank</b>	<b>Loan Amount Requested</b>
	<u>MWRDGC Service Area – Class A</u>			
<b>Bypass List</b>	MWRDGC (Stickney Sludge Upgrade Loan 3) <sup>1</sup>	4558	0007	\$43,300,000
<b>Bypass List</b>	MWRDGC (DesPlaines River I.S. Rehab)	4621	0009	9,950,000
<b>Bypass List</b>	MWRDGC (Northside Sludge Pipeline Replacement)	4620	0010	18,000,000
	<u>MWRDGC Service Area – Class D</u>			
<b>Funded FY2011</b>	Calumet City (Combined Sewer Lining)	3625	0002	555,000
<b>Funded FY2011</b>	Chicago (Sewer Lining 2011) <sup>1</sup>	4682	0003	13,695,000
	<u>Remainder of the State Area – Class A</u>			
<b>Funded FY2011</b>	Kankakee River Met. Agency (STP Upgrade & SCADA)	3334	0001	11,100,000
<b>Funded FY2011</b>	Pekin (STP #1 Expansion Phase 2) <sup>1</sup>	3081	0002	15,000,000
<b>Funded FY2011</b>	Decatur S.D. (Trestle Repairs)	2825	0003	1,800,000
<b>Funded FY2011</b>	Princeton (E. Park/Fifth St. Sewer Rehab)	3321	0004	4,500,000
<b>Funded FY2011</b>	Granite City (STP Improvements)	4653	0005	2,000,000
<b>Funded FY2012</b>	Flagg Creek WRD (Replace Tertiary Sand Filter)	3645	0011	10,393,000
<b>Funded FY2011</b>	Elmhurst (Digester Improvements) <sup>1</sup>	4274	0012	4,426,500

Status	Applicant/Project	Project Number L17	Priority Rank	Loan Amount Requested
	<u>Remainder of the State Area – Class B</u>			
<b>Funded FY2011</b>	Stookey Twp. (STP Expansion)	2284	0002	\$10,000,000
<b>Bypass List</b>	Marengo (STP Expansion & Upgrade)	2845	0003	8,365,000
<b>Bypass List</b>	Fithian (Pump Station Upgrade)	3061	0004	500,000
<b>BYPASSED <sup>2</sup></b>	Yorkville – Bristol S.D. (STP Expansion) <sup>1</sup>	2760	0005	11,126,500
	<u>Remainder of the State Area – Class D</u>			
<b>Bypass List</b>	Rock Island (Phase 2 LTCP Wet Weather WWTP) <sup>1</sup>	4773	0001	\$15,000,000
<b>Bypass List</b>	Belleville (Loan 3 – CSO & STP Improvements)	4846	0002	7,791,893

<sup>1</sup> Loan amount requested reduced due to funding constraints (both the “Limitation on Loan Assistance” (Section 365.470) and the amount of available funding for each project class).

<sup>2</sup> The loan applicant has indicated that they are not ready to pursue funding in FY 2012. This project will be bypassed for funding in FY 2012, but will remain eligible for funding in future fiscal years.

**Attachment B**  
**Water Pollution Control Loan Program (WPCLP)**  
**FY 2012 Bypass Period Funding List**

<b>Loan No. L17-</b>	<b>Loan Applicant</b>	<b>Project Description</b>	<b>Projected Loan</b>
1105	1 Athens	New WWTP	\$ 4,930,399
3645	1 Flagg Creek Water Reclamation District	Tertiary Filter Retrofit	\$ 3,479,245
4558	1 MWRDGC	Stickney Sludge Upgrades - Third Loan	\$ 40,000,000
4672	1 Wilmette	Sewer Rehab	\$ 848,344
4855	1 Pekin	WWTP Improvements: Phase 2A (Second Loan)	\$ 3,750,000
4856	1 Pekin	WWTP Improvements - Phase 2B	\$ 11,250,000
4694	Anna	WWTP Pump Station Improvements	\$ 608,121
4695	Bartlett	Raw Sewage Pump Station and Sludge Dewatering Improvements	\$ 2,068,260
3026	Belleville	Combined Sewer Overflow Improvements: LTCP	\$ 4,000,000
4846	Belleville	WWTP Expansion - Third Loan	\$ 7,791,893
4252	Brighton	Sewer Repair and Lining	\$ 1,700,000
4103	Buffalo Grove	Lift Station Upgrades	\$ 531,000
4700	Champaign	Unsewered Spartan Court Area	\$ 172,000
4863	Chicago	Sewer Rehab	\$ 15,000,000
4109	Chicago Heights	Manhole Rehab	\$ 6,300,000
2816	Clayton	Sewer System Rehabilitation	\$ 756,500
3796	Cortland	Collection System and WWTP Improvements	\$ 1,850,000
4430	Evanston	Sewer Lining - Various locations (L17-4430 and L17-4432)	\$ 3,700,000
3061	Fithian	Pump Station Improvements	\$ 128,000
3647	Freeburg	Lift Station, Sewer Extensions	\$ 1,500,000
2895	Glen Ellyn	Hill Avenue Sewer Extension	\$ 3,052,200
2291	Havana	Combined Sewer Overflow Improvements: LTCP	\$ 1,000,000
1421	Hinckley	WWTP Improvements	\$ 4,934,800
4836	Kankakee River Metropolitan Agency	WWTP Improvements - Phase 1 (First Loan)	\$ 15,000,000
3030	LeRoy	Combined Sewer Overflow Improvements: LTCP	\$ 1,820,000
2845	Marengo	WWTP Expansion	\$ 11,500,000
4712	MWRDGC	Northside WRP - Aeration improvements	\$ 12,500,000
4710	MWRDGC	Northside Interceptor Sewer	\$ 22,500,000
4683	New Athens	WWTP Replacement	\$ 2,226,580
3318	O'Fallon	WWTP Phase One Improvements	\$ 4,438,000
3997	Riverdale	Sewer Separation	\$ 6,901,989
4773	Rock Island	WWTP Wet Weather Improvements - Phase 2 (Second Loan)	\$ 15,000,000
3325	Salt Creek Sanitary District	WWTP Improvements - Phase 4	\$ 6,381,000
3326	Shawneetown	Pump Station Rehabilitation	\$ 250,000
4143	Shiloh	Sewer Extensions	\$ 5,000,000
4716	St. Charles	Biosolids Handling Upgrade	\$ 9,500,000
4619	Tampico	Lift Station Replacement	\$ 575,000
4792	Taylorville Sanitary District	WWTP Improvements and Southeast/Elm Street	\$ 4,154,200
			<b>\$ 237,097,531</b>

<sup>1</sup> FY 2012 funding previously issued