

**PUBLIC WATER SUPPLY LOAN PROGRAM
SAMPLE ORDINANCE AUTHORIZING LOAN AGREEMENT
HOME RULE ENTITY (e.g. Village, City, Town)**

Loan applicants or their attorney are requested to contact Stephanie Flowers at the Illinois EPA, Division of Legal Counsel (217/782-5544; stephanie.flowers@illinois.gov) to discuss the attached Sample Ordinance and Dedicated Source of Revenue Requirement.

**SAMPLE ORDINANCE AUTHORIZING LOAN AGREEMENT
(PUBLIC WATER SUPPLY LOAN PROGRAM--HOME RULE ENTITY)**

ORDINANCE NUMBER _____

AN ORDINANCE authorizing the [ENTITY e.g., City/Village/Town] of _____, _____ County, Illinois, to borrow funds from the Public Water Supply Loan Program

WHEREAS, the [ENTITY] of _____, _____ County, Illinois, operates its public water supply system (“the System”) and in accordance with the provisions of the [insert Home Rule Article of the Illinois Constitution] and the Local Government Debt Reform Act, 30 ILCS 350/1 et seq. (collectively “the Act”); and

WHEREAS, the [MAYOR/PRESIDENT and CITY COUNCIL/BOARD OF DIRECTORS] of the [ENTITY] (“the Corporate Authorities”) have determined that it is advisable, necessary, and in the best interest of the public health, safety, and welfare to improve the System, including the following:

[INSERT PROJECT DESCRIPTION]

together with any land or rights in land and all electrical, mechanical or other services necessary, useful or advisable to the construction and installation (“the Project”), all in accordance with the plans and specifications prepared by the consulting engineers of the [ENTITY], which Project has a useful life of _____ years [**must be greater than the maturity period stated below**]; and

WHEREAS, the estimated cost of construction and installation of the Project, including engineering, legal, financial and other related expenses is \$_____, and there are insufficient funds on hand and lawfully available to pay these costs; and

WHEREAS, the loan shall bear an interest rate as defined by 35 Ill. Adm. Code 662 [**or 35 Ill. Adm. Code 663 if a lead service line replacement project**], which does

not exceed the maximum rate authorized by the Bond Authorization Act, as amended, 30 ILCS 305/0.01 et seq., at the time of the issuance of the loan; and

WHEREAS, the principal and interest payment shall be payable semi-annually, and the loan shall mature in _____years (**cannot be more than 30 years [40 years if eligible under 35 Ill. Adm. Code 662.220(b), OR, if a lead service line project, 35 Ill. Adm Code 663.220(b)]**), which is within the period of useful life of the Project; and

WHEREAS, the costs are expected to be paid for with a loan to the [ENTITY] from the Public Water Supply Loan Program through the Illinois Environmental Protection Agency, the loan to be repaid from [insert SOURCE OF REVENUE, e.g., revenues of the System, sales tax, etc.] and the loan is authorized to be accepted at this time pursuant to the Act; and

WHEREAS, in accordance with the provisions of the Act, the [ENTITY] is authorized to borrow funds from the Public Water Supply Loan Program in the aggregate principal amount of \$_____ to provide funds to pay the costs of the Project; and

WHEREAS, the loan to the [ENTITY] shall be made pursuant to a Loan Agreement, including certain terms and conditions between the [ENTITY] and the Illinois Environmental Protection Agency;

NOW THEREFORE, be it ordained by the Corporate Authorities of the [ENTITY] of _____, _____ County, Illinois, as follows:

SECTION 1. INCORPORATION OF PREAMBLES

The Corporate Authorities hereby find that the recitals contained in the preambles are true and correct, and incorporate them into this Ordinance by this reference.

SECTION 2. DETERMINATION TO BORROW FUNDS

It is necessary and in the best interests of the [ENTITY] to construct the Project for the public health, safety, and welfare, in accordance with the plans and specifications, as described; that the System continues to be operated in accordance with the provisions of the Illinois Environmental Protection Act, 415 ILCS 5/1 et seq.; and that for the purpose of constructing the Project, it is hereby authorized that funds be borrowed by the [ENTITY] in the aggregate principal amount (which can include construction period interest financed over the term of the loan) not to exceed \$_____.

SECTION 3. ADDITIONAL ORDINANCES

The Corporate Authorities may adopt additional ordinances or proceedings supplementing or amending this Ordinance, providing for entering into the Loan Agreement with the Illinois Environmental Protection Agency, prescribing all the details of the Loan Agreement, and providing for the collection, segregation and distribution of the [DEDICATED REVENUES, e.g., revenues of the System], so long as the maximum amount of the Loan Agreement as set forth in this Ordinance is not exceeded and there is no material change in the project or purposes described herein. Any additional ordinances or proceedings shall in all instances become effective in accordance with the Act or other applicable laws. This Ordinance, together with such additional ordinances or proceedings, shall constitute complete authority for entering into the Loan Agreement under applicable law.

However, notwithstanding the above, the [ENTITY] may not adopt additional ordinances or amendments which provide for any substantive or material change in the scope and intent of this Ordinance, including but not limited to interest rate, preference or priority of any other ordinance with this Ordinance, parity of any other ordinance with

this Ordinance, or otherwise alter or impair the obligation of the [ENTITY] to pay the principal and interest due to the Public Water Supply Loan Program without the written consent of the Illinois Environmental Protection Agency.

SECTION 4. LOAN NOT INDEBTEDNESS OF [ENTITY]

Repayment of the loan to the Illinois Environmental Protection Agency by the [ENTITY] pursuant to this Ordinance is to be solely from the revenue derived from the [insert SOURCE OF REVENUES, e.g., revenues of the System], and the loan does not constitute an indebtedness of the [ENTITY] within the meaning of any constitutional or statutory limitation.

(Note: Sources of revenue other than revenues of the system may not qualify for the exemption contained in this model paragraph.)

SECTION 5. APPLICATION FOR LOAN

The [APPROPRIATE OFFICIAL] is hereby authorized to make application to the Illinois Environmental Protection Agency for a loan through the Public Water Supply Loan Program, in accordance with the loan requirements set out in 35 Ill. Adm. Code 662 [or 35 Ill. Adm. Code 663 if a lead service line replacement project].

SECTION 6. ACCEPTANCE OF LOAN AGREEMENT

The Corporate Authorities hereby authorize acceptance of the offer of a loan through the Public Water Supply Loan Program, including all terms and conditions of the Loan Agreement as well as all special conditions contained therein and made a part thereof by reference. The Corporate Authorities further agree that the loan funds awarded shall be used solely for the purposes of the project as approved by the Illinois Environmental Protection Agency in accordance with the terms and conditions of the Loan Agreement.

SECTION 7. OUTSTANDING BONDS

(Please keep the sentence that is applicable and remove the other two.)

The [ENTITY] has outstanding bonds, payable from revenues of the system, that are senior to the loan authorized by this Ordinance, and the [ENTITY] establishes an account, coverage, and reserves equivalent to the account(s), coverage(s) and reserve(s) as the senior lien holders in accordance with 35 Ill Adm Code 662.350(a)(9)(C) **[or 35 Ill. Adm. Code 663.350(a)(9)(C) if a lead service line replacement project]. OR**

The [ENTITY] has outstanding bonds that are payable from revenues of the system but the outstanding bonds are not senior to, but on parity with, the loan authorized by this Ordinance. **OR**

The [ENTITY] has no outstanding bonds that are payable from revenues of the system.

SECTION 8. AUTHORIZATION OF [MAYOR/PRESIDENT] TO EXECUTE LOAN AGREEMENT

The [MAYOR/PRESIDENT] is hereby authorized and directed to execute the Loan Agreement with the Illinois Environmental Protection Agency. The Corporate Authorities may authorize by resolution a person other than the [MAYOR/ PRESIDENT] for the sole purpose of authorizing or executing any documents associated with payment requests or reimbursements from the Illinois Environmental Protection Agency in connection with this loan.

SECTION 9. SEVERABILITY

If any section, paragraph, clause or provision of this Ordinance is held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this Ordinance.

SECTION 10. REPEALER

All ordinances, resolutions, orders, or parts thereof, which conflict with the provisions of this Ordinance, to the extent of such conflict, are hereby repealed.

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PASSED by the Corporate Authorities
on _____, 20____.

APPROVED _____, 20____

[President/Mayor]

[Entity]

_____, County, Illinois

AYES: _____

NAYS: _____

ABSENT: _____

PUBLISHED in the _____ on _____, 20____.

RECORDED in the [ENTITY] Records on _____, 20____.

ATTEST:

[ENTITY] Clerk

[ENTITY] of _____

_____ County, Illinois

CERTIFICATION

I, _____, do hereby certify that I am the duly elected, qualified and acting Clerk of the [ENTITY] of _____. I do further certify that the above and foregoing, identified as Ordinance Number _____, is a true, complete and correct copy of an ordinance otherwise identified as [insert TITLE OF ORDINANCE], passed by the [Board of Trustees/City Council] of the [Entity] of _____ on the ____ day of _____, 20__, and approved by the [President/Mayor] of the [ENTITY] of _____ on the same said date, the original of which is part of the books and records within my control as Clerk of the [ENTITY] of _____.

Dated this ____ day of _____, 20__.

Clerk of the [ENTITY] of _____