

VILLAGE OF DOWNERS GROVE
Report for the Village Council Meeting
2/9/2016

SUBJECT:	SUBMITTED BY:
Ordinance Authorizing the Village to Borrow Funds from the Public Water Supply Loan Program at the Illinois Environmental Protection Agency (IEPA)	Judy Buttny Finance Director

SYNOPSIS

An ordinance has been prepared authorizing the Village to borrow funds from the Public Water Supply Loan Program at the Illinois Environmental Protection Agency (IEPA). The ordinance does not obligate the Village to borrow money, but gives the Village the ability to do so.

STRATEGIC PLAN ALIGNMENT

The Goals for 2011-2018 include *Steward of Financial and Environmental Sustainability* and *Top Quality Infrastructure*.

FISCAL IMPACT

The FY16 Water Fund budget includes \$4.13 million in capital projects, of which \$3 million will be financed using the IEPA loan. (Some projects will be funded using cash.) Current rates are 1.86% for a twenty year loan, which contrasts with current rates of 2.7% from issuing municipal bonds. This loan program would save the Village \$300,000 in interest compared to issuing bonds for 2016 projects.

The Village anticipates borrowing \$15 million in the next five years for capital projects for the water system. The IEPA rate changes every October 1; therefore, staff will continue to analyze the options to determine the most cost effective way to borrow over the next four years.

UPDATE & RECOMMENDATION

This item was discussed at the February 2, 2016 Village Council meeting. Staff recommends approval on the February 9, 2016 Active Agenda.

BACKGROUND

Consistent with the Long Range Plan, the 2015 budget included a debt issuance of \$10 million and a projection of a \$10 million debt issuance in 2018 for water projects. Before issuing the debt in 2015, staff became aware of a State program administered by the IEPA for water infrastructure projects. This program provides low interest loans for drinking water projects for twenty-year payment terms. Interest rates are set annually. The current interest rates are 1.86%, which contrasts with current rates of 2.7% for issuing municipal bonds.

The following steps are necessary in the IEPA loan process:

- **Preparation and approval of a five-year Project Planning Document:** Staff, working with the firm Strand and Associates, prepared the five-year Project Planning Document for 2016 through 2020. The Project Planning Document (Plan) approved by the IEPA contains \$18,310,000 in water infrastructure projects to be completed. This is the maximum that would be allowed to be funded under this program. Approval of this ordinance does not obligate the Village to borrow from the IEPA, but gives the Village the ability to do so. Staff included all potential capital projects in the Plan but anticipates that only \$15 million will be constructed during this time period. (The projects will be re-prioritized annually.)
- **Approval of the Ordinance:** The authorizing ordinance provides for the execution of the required documents by the Mayor and commits the Village to the repayment of the loans over a 20 year period. As part of the IEPA loan application submittal, this ordinance is required for the Village to show it has legal, institutional, managerial and financial capability to implement the program and to pay back the loan. With this loan program, the IEPA will process five separate loans, one for each year of the Plan (2016 through 2020). There are no financial advisor fees, rating agency fees, or underwriter fees for the IEPA loan. Ice Miller will serve as bond counsel on this deal, and their fee will be \$14,500 which is the same amount that would be paid for a municipal bond issue of this size.
- **Loan Agreement:** After completing the competitive bid process, staff will submit a loan application packet to the IEPA. Upon approval from the IEPA, the project start date would be determined. Staff is currently working on the permit and bid process. It is estimated that 2016 projects will total approximately \$3 million. The loan agreement for 2016 and bid awards will be brought to Council within the next few months for approval.

ATTACHMENTS

Ordinance

VILLAGE OF DOWNERS GROVE
COUNCIL ACTION SUMMARY

INITIATED: Finance DATE: February 9, 2016
(Name)

RECOMMENDATION FROM: _____ FILE REF: _____
(Board or Department)

NATURE OF ACTION:

STEPS NEEDED TO IMPLEMENT ACTION:

- Ordinance
- Resolution
- Motion
- Other

Motion to Adopt "AN ORDINANCE AUTHORIZING THE VILLAGE OF DOWNERS GROVE, DUPAGE COUNTY, ILLINOIS TO BORROW FUNDS FROM THE PUBLIC WATER SUPPLY LOAN PROGRAM OF THE ILLINOIS ENVIRONMENTAL PROTECTION AGENCY", as presented.



SUMMARY OF ITEM:

Adoption of this ordinance shall authorize the Village to borrow funds from the Illinois Environmental Protection Agency.

RECORD OF ACTION TAKEN:

EXTRACT OF MINUTES of a regular public meeting of the Council of the Village of Downers Grove, DuPage County, Illinois, held at the Village Hall, 801 Burlington Avenue, in said Village, at 7:00 p.m., on the 9th day of February, 2016.

The Mayor Pro-Tem called the meeting to order and directed the Village Clerk to call the roll.

Upon the roll being called, the Mayor Pro-Tem and the following Commissioners answered physically present at said location: _____

The following Commissioners were allowed by a majority of the Council in accordance with and to the extent allowed by rules adopted by the Council to attend the meeting by video or audio conference: _____

No Commissioner was not permitted to attend the meeting by video or audio conference. The following Commissioners were absent and did not participate in the meeting in any manner or to any extent whatsoever: _____

The Council then discussed a proposed capital infrastructure improvement project for the Village, and considered an ordinance providing for the authorization to borrow funds from the Public Water Supply Loan Program of the Illinois Environmental Protection Agency, in one or more draws.

Thereupon, Commissioner _____ presented and the following ordinance was explained in full:

AN ORDINANCE authorizing the Village of Downers Grove, DuPage County, Illinois to borrow funds from the Public Water Supply Loan Program of the Illinois Environmental Protection Agency.

(the “*IEPA Loan Ordinance*”) which was before the Council and made available to any person requesting one in words and figures as follows.

The ordinance having been first read at a public meeting of the Council at least five days before the present meeting, Commissioner _____ moved and Commissioner _____ seconded the motion that the IEPA Loan Ordinance as presented be adopted.

The Mayor Pro-Tem directed that the roll be called for a vote upon the motion to adopt the ordinance.

Upon the roll being called, the following Commissioners voted AYE: _____

_____ and the following Commissioners voted NAY: _____.

WHEREUPON, the Mayor Pro-Tem declared the motion carried and the ordinance adopted, and henceforth did approve and sign the same in open meeting, and did direct the Village Clerk to record the same in full in the records of the Council of the Village of Downers Grove, DuPage County, Illinois.

Other business was duly transacted at said meeting.

Upon motion duly made and carried, the meeting adjourned.

Village Clerk

ORDINANCE NUMBER _____

AN ORDINANCE authorizing the Village of Downers Grove, DuPage County, Illinois to borrow funds from the Public Water Supply Loan Program of the Illinois Environmental Protection Agency.

Adopted by the Council on the 9th day of February, 2016.

ORDINANCE NUMBER _____

AN ORDINANCE authorizing the Village of Downers Grove, DuPage County, Illinois to borrow funds from the Public Water Supply Loan Program of the Illinois Environmental Protection Agency.

WHEREAS, the Village of Downers Grove, DuPage County, Illinois (the “*Village*”) operates its waterworks system (the “*System*”) in accordance with the provisions of Section 6 of Article VII of the Constitution of the State of Illinois and the Local Government Debt Reform Act, 30 ILCS 350/1 (collectively, “*the Act*”), and

WHEREAS, the Mayor and the Council of the Village (the “*Corporate Authorities*”) have determined that it is advisable, necessary and in the best interests of public health, safety and welfare of the Village and its residents to make improvements to the System, including, but not limited to, repair and replace water mains, repair and maintain elevated tanks and emergency well houses and any and all other System related projects and improvements in connection thereto, together with any land or rights in land and all electrical, mechanical or other services necessary, useful or advisable to the construction and installation (collectively, the “*Project*”), all in accordance with the plans and specifications prepared by consulting engineers of the Village; which Project has a useful life of 30 years; and

WHEREAS, the estimated cost of construction and installation of the Project, including engineering, legal, financial and other related expenses is \$18,310,000, and there are insufficient funds on hand and lawfully available to pay these costs; and

WHEREAS, the costs are expected to be paid for with a loan to the Village from the Public Water Supply Loan Program through the Illinois Environmental Protection Agency (the “*IEPA*”), the loan to be repaid from the Net Revenues of the System (i.e. gross revenues minus

operations and maintenance expenses) (the “*Pledged Revenues*”) and the loan is authorized to be accepted at this time pursuant to the Act; and

WHEREAS, the loan to the Village shall be made pursuant to a Loan Agreement, including certain terms and conditions, between the Village and the IEPA; and

WHEREAS, the loan shall be in one or more draws and bear an interest rate as defined by 35 Ill. Adm. Code 365, 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 20 years, which is within the period of useful life of the Project; and

WHEREAS, in accordance with the provisions of the Act, the Village is authorized to borrow funds from the Public Water Supply Loan Program of an additional aggregate principal amount of not to exceed \$18,310,000 to provide funds to pay for a portion of the costs of the Project;

NOW THEREFORE, be it ordained by the Corporate Authorities of the Village of Downers Grove, DuPage 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 Village 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 provision of the Act; and that for the purpose of constructing the Project, it is hereby authorized that funds be borrowed by the

Village in an aggregate principal amount (which can include construction period interest financed over the term of the loan) in one or more draws not to exceed \$18,310,000.

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 IEPA, prescribing all the details of the Loan Agreement, and providing for the collection, segregation and distribution of the Pledged Revenues, 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 law. 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 Village 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 Village to pay the principal and interest due to the Public Water Supply Loan Program without the written consent of the IEPA.

SECTION 4. LOAN NOT INDEBTEDNESS OF VILLAGE

Repayment of the loan to the IEPA by the Village pursuant to this Ordinance is to be solely from the Pledged Revenues, and the loan does not constitute an indebtedness of the Village within the meaning of any constitutional or statutory limitation.

SECTION 5. APPLICATION FOR LOAN

The Mayor is hereby authorized to make application to the IEPA for a loan through the Public Water Supply Loan Program, in accordance with the loan requirements set out in 35 Ill. Adm. Code 365.

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 IEPA in accordance with the terms and conditions of the Loan Agreement.

SECTION 7. AUTHORIZATION OF MAYOR TO EXECUTE LOAN AGREEMENT

The Mayor is hereby authorized and directed to execute the Loan Agreement with the IEPA. The Corporate Authorities may authorize by resolution a person other than the Mayor for the sole purpose of authorizing or executing any documents associated with payment requests or reimbursements from the IEPA in connection with this loan.

SECTION 8. 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 9. REPEALER

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

PASSED by the Corporate Authorities
on February 9, 2016.
Approved February 9, 2016.

Mayor Pro-Tem
Village of Downers Grove
DuPage County, Illinois

AYES: _____

NAYS: _____

ABSENT: _____

RECORDED in the Village Records on February 9, 2016.

ATTEST:

Village Clerk
Village of Downers Grove
DuPage County, Illinois

CERTIFICATION

I, April Holden, do hereby certify that I am the duly elected, qualified and acting Clerk of the Village of Downers Grove, DuPage County, Illinois. 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 “AN ORDINANCE authorizing the Village of Downers Grove, DuPage County, Illinois to borrow funds from the Public Water Supply Loan Program of the Illinois Environmental Protection Agency” passed by the Council of the Village of Downers Grove on the 9th day of February, 2016, and approved by the Mayor Pro-Tem of the Village of Downers Grove on the same said date, the original of which is part of the books and records within my control as Clerk of the Village of Downers Grove.

Dated this 9th day of February, 2016.

Village Clerk
Village of Downers Grove
DuPage County, Illinois