

**VILLAGE OF DOWNERS GROVE**  
**Report for the Village Council Meeting**  
**5/16/2023**

|  |                                 |
|--|---------------------------------|
| <b>SUBJECT:</b>  | <b>SUBMITTED BY:</b>            |
| Ordinance Authorizing the Village to Borrow Funds from the Public Water Supply Loan Program at the Illinois Environmental Protection Agency (IEPA) | Robin Lahey<br>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 2021-2023 include *Steward of Financial, Environmental and Neighborhood Sustainability and Top Quality Infrastructure*.

**FISCAL IMPACT**

The FY23 Water Fund budget includes \$6.35 million in capital projects, of which \$2.0 million were originally budgeted to have been financed using IEPA loans (some projects will be funded using cash). However, because the IEPA's fiscal year runs July 1 – June 30 which overlaps our FY23 and FY24 budgeted projects, The Village requested a total of \$4 million in Year 1 (\$2 million for FY23 and \$2 million for FY24 water main projects). Current rates are 1.24% for a twenty year loan, which contrasts with current rates of 3.85% from issuing municipal bonds. This loan program would save the Village approximately \$65,000 - \$70,000 annually in interest compared to issuing bonds for these projects.

The Village anticipates borrowing \$17.5 million in the next five years for capital projects for the water system. The IEPA rate changes every July 1; therefore, staff will continue to analyze the options to determine the most cost effective way to borrow over the next four years.

**RECOMMENDATION**

**UPDATE & RECOMMENDATION**

This item was discussed at the May 9, 2023 Village Council meeting. Staff recommends approval on the May 16, 2023 Active Agenda.

**BACKGROUND**

In 2015 staff became aware of the 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 1.24%, which contrasts with current rates of 3.85% for issuing municipal bonds.

In 2016 the Village entered into an agreement with the IEPA for low interest water loans from 2016-2020. IEPA loans were obtained for years 2016-2019. No IEPA loan was taken out in 2020 due to a suspension of capital projects during the pandemic.

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 2023 through 2027. The Project Planning Document (Plan) approved by the IEPA contains \$17,500,000 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.
- **Approval of the Ordinance:** The authorizing ordinance provides for the execution of the required documents by the Mayor and staff, and further 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 (2023 through 2027). 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 \$8,000 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 projects in the 2023 loan agreement will total approximately \$4.0 million. The loan agreement for 2023 and bid awards will be brought to council within the next few months for approval.

## ATTACHMENTS

Ordinance



---

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 16th day of  
May, 2023.

**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 (the "*State*") and the Local Government Debt Reform Act of the State, 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 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 \$17,500,000, 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 (*i.e.*, gross revenues minus operations and

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

**WHEREAS**, the Village has made the Project Summary and Preliminary Environmental Impacts Determination (the “PEID”), attached hereto as Exhibit A, available for public inspection.

**WHEREAS**, on the 28th day of November, 2022, the Corporate Authorities conducted a public hearing regarding both the PEID and project planning. Advertisement of the hearing was made at least ten (10) days in advance of said hearing. The advertisement included the purpose of the project along with the date, time, and location of the hearing. A comment period of at least ten (10) days was provided after the hearing in which written comments, if any, were submitted to the loan applicant or to the IEPA contact person identified in the PEID 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 payments 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 \$17,500,000 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 \$17,500,000.

### **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 FOR MAYOR AND STAFF TO EXECUTE LOAN AGREEMENT AND OTHER RELATED DOCUMENTS**

The Mayor and staff are hereby authorized and directed to execute the Loan Agreement and other related documents in connection with the Public Water Supply Loan Program 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.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

PASSED by the Corporate Authorities

on May 16, 2023.

Approved May 16, 2023.

---

Mayor  
 Village of Downers Grove  
 DuPage County, Illinois

AYES: \_\_\_\_\_

NAYS: \_\_\_\_\_

ABSENT: \_\_\_\_\_

RECORDED in the Village Records on May 16, 2023.

ATTEST:

---

Village Clerk  
 Village of Downers Grove  
 DuPage County, Illinois

**EXHIBIT A**

**PROJECT SUMMARY AND PRELIMINARY  
ENVIRONMENTAL IMPACTS DETERMINATION**

## **Project Summary and Preliminary Environmental Impacts Determination (PEID)**

Information in this report is based on information submitted to the IEPA by the Village of Downers Grove. The source of information includes the following document: Water Model Update and Five-Year Project Plan: Report Village of Downers Grove, IL written by Strand Associates dated December 2021. Additional documentation was obtained from loan application documents and compiled by the Illinois Environmental Protection Agency.

### **Part I – Applicant and Project Information**

**Loan Applicant:** Village of Downers Grove

**Project Name/Loan Numbers:**

L176103 Phase 1: Demolition and Replacement of Well House No. 14 and New Water Mains

L176104 Phase 2: New Water Mains

L176105 Phase 3: Demolition and Replacement of Well Houses #9 and #12, Rehabilitation of 71<sup>st</sup> Street Elevated Storage Tank, and New Water Mains

L176106 Phase 4: Replacement of Meters and New Water Mains

L176107 Phase 5: Replacement of Meters and New Water Mains

**County:** DuPage

**Current Population:** 50,247

**Future Population (20 years):** 54,167

**Background Information:** The Village of Downers Grove currently receives its supply of drinking water from the DuPage Water Commission. DuPage Water Commission receives the supply of water from the Jardine Water Purification Plant in Chicago. The water supply is treated by the Jardine Water Purification Plant in Chicago prior to it being pumped to the DuPage WC who then pumps the water to Downers Grove. Downers Grove also maintains 3 shallow wells (Well Nos. 9,12, and 14) for emergency potable water supply use only. In addition, Downers Grove does own, operate, and maintain a water distribution system which supplies water to the customers of Downers Grove.

**Project Description:** The proposed project will include several upgrades to the water distribution system over a 5-year period.

L176103 Phase 1: This phase includes the demolition and replacement of Well House No. 14 and the installation of approximately 6,941 linear feet of water main ranging in size from 8-inch diameter to 12-inch diameter.

L176104 Phase 2: This phase will include the installation of approximately 7,176 linear feet of water main ranging in size from 8-inch diameter to 12-inch diameter.

L176105 Phase 3: This phase will include the demolition and replacement of Well Houses #9 and #12, the rehabilitation of the 71<sup>st</sup> Street 1 million gallon (MG) elevated storage tank (EST), and the installation of approximately 7,320 linear feet of water main ranging in size from 8-inch diameter to 12-inch diameter.

L176106 Phase 4: This phase will include the replacement of several meters throughout Downers Grove and will also include the installation of approximately 6,576 linear feet of water main ranging in size from 8-inch diameter to 12-inch diameter.

L176107 Phase 5: This phase will include replacement of several meters throughout Downers Grove and will also include the installation of 7,785 linear feet of water main ranging in size from 8-inch diameter to 12-inch diameter.

There is a possibility that some of the items listed for each phase may change from one phase to another phase throughout the 5-year period as needed. The Village is not wanting to exceed the amount of \$3,500,000.00 per project per year.

**Project Location:** This project will occur at several locations throughout the Village of Downers Grove. See attached map for locations.

**Project Justification:** The water mains located within the distribution system in several locations are beyond their useful life. Water main breaks are a common occurrence after harsh winters and periods of severe drought. Replacement of the water mains will eliminate water loss and provide a more dependable supply of potable water to the customers. In addition, the elevated storage tank (EST) located at 71<sup>st</sup> Street has several items that have reached the end of their useful life and will need rehabilitation completed. Rehabilitation of items located within/on the EST will prolong the tanks performance and increase its life span. Replacement of the meters will allow for a more accurate read on the water use of the customers and will increase the operating efficiency of the system.

The only emergency source of water supply for Downers Grove are Wells #9, #12, and #14. The demolition of the existing well houses for these three wells will allow for upgrades in communication and controls. A new SCADA system will be installed to help with control of the system. New pumping equipment, electrical, piping, valves, and a sodium hypochlorite system will bring the well houses up to date and allow for the control of them in the case of a power failure.

**Estimated Construction Start/Completion Dates:**

|                              | L176103               | L176104               | L176105               | L176106               | L176107               |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Construction Start</b>    | <b>September 2023</b> | <b>September 2024</b> | <b>September 2025</b> | <b>September 2026</b> | <b>September 2027</b> |
| <b>Construction Complete</b> | <b>December 2023</b>  | <b>December 2024</b>  | <b>December 2025</b>  | <b>December 2026</b>  | <b>December 2027</b>  |

**Project Cost Estimate:** \$17,500,000.00

**Part II – Project Affordability for Residents and Utility Customers**

Downers Grove plans on funding approximately \$17,500,000.00 through the PWSLP Loan Program. Based upon the total project cost of \$17,500,000.00, the annual loan payment for a term of (20) years based on the existing regular rate of 1.24% would be approximately \$988,429.77. Interest rates change annually on July 1<sup>st</sup>. All loans are subject to the interest rate in effect at time of loan issuance.

**Source of Loan Repayment:** User fees

**Current Average Monthly Residential Cost of Service: \$38.78**

**Projected Average Monthly Residential Cost of Service: \$44.71**

**Average Monthly Residential Water Use: 7,150 gallons**

| Bimonthly rate per Unit Consumed (1 Unit=750 gallons) | FY 2021 Price | FY 2022 Price | FY 2023 Price | FY 2024 Price | FY 2025 Price |
|---|---------------|---------------|---------------|---------------|---------------|
| Inside Village Limits                                 | \$6.33/unit   | \$6.57/unit   | \$6.82/unit   | \$7.08/unit   | \$7.35/unit   |
| Outside Village Limits                                | \$7.26/unit   | \$7.53/unit   | \$7.81/unit   | \$8.10/unit   | \$8.40/unit   |

  

| Bimonthly Fixed Charge by Water Meter Size                         |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|
| 5/8-inch (most common size for single family homes in the Village) | \$13.73    | \$14.95    | \$16.30    | \$17.77    | \$19.37    |
| 1-inch   | \$20.59    | \$22.44    | \$24.46    | \$26.66    | \$29.06    |
| 1 1/2-inch   | \$68.64    | \$74.82    | \$81.55    | \$88.89    | \$96.89    |
| 2-inch   | \$109.81   | \$119.69   | \$130.46   | \$142.20   | \$155.00   |
| 3-inch   | \$205.91   | \$224.44   | \$244.64   | \$266.66   | \$290.66   |
| 4-inch   | \$343.18   | \$372.07   | \$407.74   | \$444.44   | \$484.44   |
| 6-inch   | \$686.33   | \$748.10   | \$815.43   | \$888.82   | \$968.91   |
| 10-inch  | \$1,647.19 | \$1,795.44 | \$1,957.03 | \$2,133.16 | \$2,325.14 |

FY=fiscal year

**Table 7.08-1 Existing Water Rate Structure**

**How the current and proposed monthly residential rate/cost of service is calculated:** Water users are billed on a bi-monthly basis. A rate increase was proposed over a five-year period. Two years of rate increases have already been completed (see Table 7.08-1 above) to help fund these projects. Currently, Downers Grove residents pay a flat fee of \$14.95 per 5/8-inch meter (most common meter used) and a rate of \$6.57 per unit (750 gallons) inside Village limits. Based on an average use of 7,150 gallons current monthly charges are:  $\$14.95 + (\$6.57 \times 9.53) = \$77.56/2 = \$38.78$ . With the final rate increase implemented the monthly charges will be  $\$19.37 + (\$7.35 \times 9.53) = \$89.42/2 = \$44.71$ .

**Number of Customers or Service Connections:** 7,150 customers

**Median Household Income (MHI):** \$97,197

**Percentage of MHI needed to pay the projected average annual residential cost of service:** 0.55%

**Financial evaluation of the proposed projects:** To evaluate the costs of the proposed projects for the community, a percentage comparison of the MHI to the average, annual cost for water service is utilized. The MHI listed above is from the current fiscal year’s census information. The proposed annual water cost of \$536.52 is 0.55% of the MHI for the area. The percentage is for comparison only and has no impact on whether a project qualifies for funding from the IEPA. The percentage

comparison and MHI are two of several criteria used to determine whether a loan project qualifies for interest rate reductions or principal forgiveness.

### **Part III – Environmental Review and Impacts**

**Project Construction Impacts:** Construction will take place within the community in previously disturbed areas. Best management practices will be followed throughout the project construction. The construction process will cause some minor erosion and wind-blown dust from excavated materials. There will also be the normal noises associated with this type of construction. The probability of any damage or pollution to surface water due to erosion during construction is low.

**Illinois Department of Natural Resources:** The loan applicant submitted their project information to the Illinois Department of Natural Resources (IDNR) EcoCAT website to determine compliance with the Illinois Endangered Species Act, Illinois Natural Areas Preservation Act, and the Illinois Wetlands Act. Initially, the review results indicated that protected resources may be in the vicinity of the locations submitted and the project will need to be evaluated further. An October 14, 2021 letter by IDNR states that the project is in the vicinity of records for the state listed threatened northern long-eared bat (*Myotis septentrionalis*). Due to the potential presence of the bat on the project site, IDNR recommends any tree removal should occur between November 1<sup>st</sup> and March 31<sup>st</sup> when this bat is likely hibernating off site. If these dates cannot be accommodated, a field visit should be performed by a qualified individual (biologist, forester, or others that have been trained accordingly) to determine if suitable trees are present to provide northern long-eared bat habitat. If suitable habitat trees are found within the project area, they should be clearly flagged and/or marked and shall not be cut between April 1<sup>st</sup> through October 31<sup>st</sup> when the bat is most likely to be present. These mitigative measures must be added to the project plans and specifications. In addition, upon further review of the project, IDNR also determined adverse wetland impacts are unlikely and they terminated their consultation for both 17 Ill. Adm. Code Parts 1090 and 1075.

Because this project involves construction in or near a floodway, a jurisdictional river or stream without a mapped floodway, and/or floodplain, the loan applicant also submitted their project information to IDNR's Office of Water Resources (OWR) to determine whether a permit is required to comply with the Illinois Lakes, Rivers, and Streams Act. IDNR OWR determined that the proposed projects located at the following three locations will all cross floodways and can be constructed under Regional Permit #3 and Statewide Permit #8. They are:

- VDG #8 - Curtiss Street at St. Joseph Creek
- P44 - Turvey Lane at St. Joseph Creek
- P47 - Carpenter Street at St. Joseph Creek

These projects have also been reviewed by the State Historic Preservation Office (SHPO) for compliance with the National Historic Preservation Act, Section 106. SHPO's review indicated that negative impacts to historical or archaeological resources are not expected as a result of this project.

**United States Army Corps of Engineers:** The Village of Downers Grove submitted their project information to the U.S. Army Corps of Engineers (USACE) for their review and determination of requirements related to placement, or excavation, of any dredged or fill materials into rivers, lakes, ponds, large and small streams with perennial, intermittent, or ephemeral flow, artificial water bodies, and wetlands adjacent to these waters and associated permitting. The U.S. Army Corps of Engineers

(USACE) correspondence dated August 11, 2022, determined the scope of the distribution system upgrades project complies with the terms and conditions of Nationwide Permit #58 (Utility Line Activities). The Nationwide Permit #58 conditions will be listed in the final plans and specifications and followed throughout the project.

**Public comments are invited on the proposed project. For further information contact:**

Lanina Clark, Project Manager  
Infrastructure Financial Assistance Section  
Illinois Environmental Protection Agency  
Bureau of Water  
1021 North Grand Avenue East  
P.O. Box 19276  
Springfield, Illinois 62794-9276  
(217)782-2027



**CERTIFICATION**

I, \_\_\_\_\_, 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 16th day of May, 2023 and approved by the Mayor 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 16th day of May, 2023.

---

Village Clerk  
Village of Downers Grove  
DuPage County, Illinois