

**Memorandum
Public Works Department**



To: City Manager
Subject: Illinois State Revolving Loan Program
Date: March 13, 2012
Number: 2012- 070

The city is currently using low interest financing for the Long Term Control Plan construction projects through the Illinois State Revolving Loan Program. In order to allow the City to continue to finance the remaining Long Term Control Plan projects, the City Council must increase the debt authorization limits by amending the Ordinance Authorizing Loan Agreement Water Pollution Control Loan Program – Home Rule Entity.

The attached amended ordinance was originally passed by the City Council on March 15, 2010 to cover the costs of constructing the new Waste Water Treatment System and set a not to exceed debt limit of \$40,000,000 and an estimated total related costs of \$57,000,000. Rather than adopt multiple additional authorization ordinances over the next couple of years, the amended ordinance will raise the debt limit to \$65,000,000 to cover the total amount of the anticipated financing from the state program and the overall estimated related costs to \$80,000,000.

If the IEPA authorizes financing for the projects, the loans will be made each state fiscal year on a project by project basis. If projects extend longer than one fiscal year, IEPA can authorize multiple loans for the same project.

Recommendation

The Public Works Department recommends that the City Council pass the amended loan authorization ordinance.

Submitted by: Robert T. Hawes, P.E., Assistant City Manager/Public Works Director
Michael J. Kane, P.E., City Engineer

Approved by: Thomas Thomas, City Manager

**ORDINANCE AUTHORIZING LOAN AGREEMENT WATER POLLUTION
CONTROL LOAN PROGRAM – HOME RULE ENTITY**

**AN ORDINANCE AUTHORIZING THE CITY OF ROCK ISLAND, ROCK ISLAND
COUNTY, ILLINOIS, TO BORROW FUNDS FROM THE WATER POLLUTION CONTROL
LOAN PROGRAM**

WHEREAS, the City of Rock Island, Rock Island County, Illinois, operates its sewerage system (“the System”) and in accordance with the provisions of Article VII, Section 6 of the Illinois Constitution of 1970 (Ill. Const. Art. VII §6) and the Local Government Debt Reform Act. 30 ILCS 350/1 et seq. (collectively “the Act”); and

WHEREAS, the Mayor and City Council of the City of Rock Island, Rock Island County, Illinois (hereinafter City of Rock Island) 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:

Combined Sewer Overflow Long Term Control Plan Improvements

The improvements are designed to bring the city’s combined sewer system into compliance with state and federal regulations. All the work must be completed by 2018 and it will be undertaken through multiple construction contracts. The major components of the work include the installation of additional wet weather treatment facilities at the Mill Street Sewage Treatment Plant, the upgrade of the Saukie and Franciscan Store/Treat Basins, the relocation and upgrade of the combined sewer overflow near Blackhawk State Historic Site, the construction of a large diameter relief sewer in 6th Avenue from 24th Street to the Mill Street Sewage Treatment Plant, the construction of a combined sewer excess flow tank near the intersection of 40th Street with 5th Avenue and selected sewer separations.

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 City of Rock Island, which Project has a useful life of more than 20 years; and

WHEREAS, the estimated cost of construction and installation of the Project, including engineering, legal, financial and other related expenses is \$80,000,000.00, 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 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, the costs are expected to be paid for with a loan to the City of Rock Island from the Water Pollution Control Loan Program through the Illinois Environmental Protection Agency, the loan to be repaid from revenues of the System, 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 City of Rock Island is authorized to borrow funds from the Water Pollution Control Loan Program in the aggregate principal amount of \$40,000,000.00 to provide funds to pay the costs of the Project; and

WHEREAS, the loan to the City of Rock Island shall be made pursuant to a Loan Agreement, including certain terms and conditions between the City of Rock Island and the Illinois Environmental Protection Agency;

NOW THEREFORE, be it ordained by the Corporate Authorities of the City of Rock Island, Rock Island 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 City of Rock Island 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 City of Rock Island in the aggregate principal amount (which can include construction period interest financed over the term of the loan) not to exceed \$65,000,000.00.

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 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 City of Rock Island 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 City of Rock Island to pay the principal and interest due to the Water Pollution Control Loan Program without the written consent of the Illinois Environmental Protection Agency.

SECTION 4. LOAN NOT INDEBTEDNESS OF THE CITY OF ROCK ISLAND, ROCK ISLAND COUNTY, ILLINOIS

Repayment of the loan to the Illinois Environmental Protection Agency by the City of Rock Island pursuant to this Ordinance is to be solely from the revenue derived from revenues of the System, and the loan does not constitute an indebtedness of the City of Rock Island within the meaning of any constitutional or statutory limitation.

SECTION 5. APPLICATION FOR LOAN

The City Manager is hereby authorized to make application to the Illinois Environmental Protection Agency for a loan through the Water Pollution Control 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 Water Pollution Control 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. AUTHORIZATION OF CITY MANAGER TO EXECUTE LOAN AGREEMENT

The City Manager 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 City Manager 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 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, orders, or parts thereof, which conflict with the provisions of this Ordinance, to the extent of such conflict, are hereby repealed.

SECTION 10. EFFECTIVE DATE

This ordinance shall be in full force and effect from and after its passage and approval as required by law.

MAYOR OF THE CITY OF ROCK ISLAND

ATTEST:

CITY CLERK