

**LOAN AGREEMENT****WASTEWATER PROJECT: L175013**

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**LENDER:**

Illinois Environmental Protection Agency  
Bureau of Water  
Infrastructure Financial Assistance Section  
P.O. Box 19276  
1021 North Grand Avenue, East  
Springfield, IL 62794-9276

**RECIPIENT:**

Lake County Department of Public Works  
650 West Winchester Road  
Libertyville, IL 60048

FEIN: 366006600

**TERMS OF THE LOAN**

<b><u>Estimated Dates</u></b>			
Loan amount:	\$32,000,000.00	Construction start:	06/26/2015
Annual fixed loan rate:	2.2100%	Construction complete:	06/25/2017
Term:	20 years	Initiation of operation:	06/25/2017
Repayments:	Semi-Annual	Initiation of repayment period:	06/25/2017
		First repayment due:	12/25/2017
		Final repayment due:	06/25/2037

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**LOAN OFFER AND ACCEPTANCE**

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**Offer by the State of Illinois Environmental Protection Agency**

The Director (herein called the "Director") of the Illinois Environmental Protection Agency (herein called the "Agency") pursuant to the Environmental Protection Act, hereby offers to make a loan from the Water Revolving Fund, up to and not exceeding the above specified amount, at the fixed loan rate and repayment period given above, for the support of the efforts contained in the Project Description, herein. This Loan Offer is subject to all applicable State and Federal statutory and regulatory provisions, Standard and Special Loan Conditions, Procedures For Issuing Loans From the Water Pollution Control Loan Program (35 Ill. Adm. Code 365) and the terms specified in the Letter of Transmittal, attached hereto and included herein by reference.

	Director	Lisa Bonnett	
Agency Signature	Title	Name	Date

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By:

Agency Signature	Title	Name	Date
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**This offer must be accepted, if at all, on or before 07/20/2015.**

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Acceptance on behalf of the Borrower

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Authorized Representative (Signature)	Date
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Name and Title of Authorized Representative (Type or Print)
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**PROJECT DESCRIPTION**

The project consists of upgrades to the existing WRF including the replacement of four raw sewage pumps, new grit removal equipment, an additional aeration basin, two new disc filters, and other miscellaneous plant modifications. The existing activated sludge process will be modified for enhanced biological phosphorus removal in order to comply with new standards. Additionally, a thermal drying system will be constructed on-site. This work is covered by IEPA Permit Number 2014-AB-59363.

**PROJECT BUDGET**

	<b>TOTAL</b>	<b>ELIGIBLE</b>
Construction - Williams Brothers Construction, Inc.	\$31,780,000.00	\$31,780,000.00
Design Engineering	\$1,900,000.00	\$0.00
Construction Engineering	\$2,100,000.00	\$0.00
Contingency	\$953,400.00	\$953,400.00
<b>TOTAL</b>	<b>\$36,733,400.00</b>	<b>\$32,733,400.00</b>

The loan amount is \$32,000,000.00.

**OTHER FUNDING SOURCES/COSTS EXCLUDED**

The loan amount is limited to \$32,000,000. Costs for Design/Construction Engineering will be paid for through local funding. If Lake County DPW decides to fund engineering, costs may be paid from loan contingency upon review by the Agency.

**SPECIAL CONDITIONS**

- a. Prior to the second disbursement, a copy of the bond counsel opinion on the first disbursement and evidence of registration of the bond must be submitted.
- b. Prior to the loan closing, the final bond counsel opinion and the bond must be submitted.

**STANDARD CONDITIONS**

Please see Attachment A.

## Attachment A

Loan Recipient: Lake County Department of Public Works  
L175013

### Loan Agreement –Standard Conditions Illinois EPA Water Pollution Control Loan Program

#### 1. PROJECT SCHEDULE

For the purposes of this agreement, the start date will be the date the agreement is executed by the governmental entity and the complete date will be the date of final repayment. Any obligation of the State of Illinois and the Agency to make any disbursement of loan funds shall terminate unless this project work is initiated and completed in accordance with the schedule contained in the Loan Agreement.

#### 2. DISBURSEMENTS

Disbursement requests for project work will be processed based on costs incurred, subject to the appropriation of funds by the Illinois General Assembly. Such disbursement requests will be monitored for compliance with applicable state and federal laws and regulations, including Section 705/4(b)(2) of the Illinois Grant Funds Recovery Act (30 ILCS 705), and shall constitute quarterly reports as required therein by describing the progress of the project and the expenditure of the loan funds related thereto. Any loan funds remaining unexpended in the project account after all application loan conditions have been satisfied and a final loan amendment has been executed shall be returned to the State within forty-five (45) days of the execution date on the final loan amendment. If the loan recipient reimburses their contractor(s) prior to requesting funds from Illinois EPA, the Loan Recipient shall request reimbursement from the Agency within 30 days of reimbursing their contractor(s) in accordance with Internal Revenue Service regulations.

#### 3. REPAYMENT SCHEDULE – Nature of Obligations, Fixed Loan Rate, Interest, Loan Support and Principal Payments.

a) In accordance with Ill. Adm. Code 365.440, the fixed rate is comprised of interest and loan support, both of which are established annually and reported at the Agency's public hearing. The term "interest" is used in this Loan Agreement as well as future correspondence, repayment schedules, etc. to reflect both interest and loan support.

b) This Loan Agreement has been issued and entered into pursuant to an authorizing ordinance of the loan recipient. The recipient recites that it has taken all required actions to enter into the Loan Agreement and has complied with all provisions of law in that regard.

c) By this Loan Agreement, the loan recipient agrees to repay to the Agency (or, upon notice by the Agency to the loan recipient, the Agency's assignee) the principal amount of the loan with interest on the outstanding and unpaid principal amount of the loan from time to time until repaid in full, all as provided in this Loan Agreement.

d) For purposes of determining the repayment amount, the principal amount of the loan shall be the total amount of loan disbursements made by the Agency under this Loan Agreement, plus interest treated as principal as provided in paragraph (g) below. The amount financed shall not exceed the amount identified in the approved authorizing ordinance.

e) The final principal amount will be determined by the Agency after a final disbursement request, final inspection and project review have been made to ensure all applicable loan conditions have been satisfied.

f) Simple interest on each loan disbursement will begin on the day after the date of the issuance of a warrant by the Comptroller of the State of Illinois.

g) Interest and principal on the loan will be due on the dates and in the amounts as set forth in repayment schedules provided for in this paragraph. Upon the initiation of the loan repayment period, the Agency shall establish and notify the loan recipient of an interim repayment schedule in accordance with the terms of this loan. After the Agency conducts the final review of the costs of the project to establish the final principal amount, the Agency shall establish and notify the loan recipient of a final repayment schedule. For purposes of calculating the repayment schedules, the Agency shall consider principal of the loan to consist of all unrepaid disbursements plus all unrepaid interest accrued on these disbursements at the time the schedule period begins. Each of these repayment schedules shall provide for repayment installments consisting of principal plus simple interest on the unpaid principal

balance. The installment repayment amount may change when the interim repayment schedule is replaced by the final repayment schedule.

h) Interest on each loan disbursement shall be calculated on the basis of the total number of days from the date the interest begins to accrue to the beginning of the repayment period and will be calculated on a daily basis using a 365 day year. All interest due on the principal of the loan during the repayment period is calculated on a periodic basis.

i) The Loan Agreement shall be subject to prepayment at any time in whole or in part, at the option of the loan recipient, by payment of the outstanding principal plus accrued and unrepaid interest on that principal accrued to the date of prepayment.

#### 4. MODIFIED OR SUBSEQUENT ORDINANCES

The ordinance authorizing entry into this Loan Agreement or dedicating the source of revenue shall not be amended or superseded substantively or materially without the prior written consent of the Agency.

#### 5. DBE REPORTING REQUIREMENTS

The loan recipient is required to comply with the Disadvantaged Business Enterprise (DBE) reporting requirements as established and mandated by federal law and implemented in federal code: 40 CFR Part 33. Compliance with the code will necessarily involve satisfaction of the six (6) good faith efforts as set forth in the federal DBE program, and will require the use of the particular contract specifications and language for advertising of the project. More information and guidance on the DBE requirements is available on the IEPA web site at:

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

#### 6. COMPLIANCE WITH ACT AND REGULATIONS

The Agency shall not make any payments under this loan offer if the construction project has been completed and is being operated in violation of any of the provisions of the Clean Water Act, Environmental Protection Act (415 ILCS 5/1 et seq.) or Water Pollution Control Regulations of Illinois (Title 35: Subtitle C: Chapter I: Pollution Control Board Regulations and Chapter II: Agency Regulations) adopted thereunder.

#### 7. FINAL INSPECTION

The loan recipient shall notify the Agency's Infrastructure Financial Assistance Section's (IFAS) Post Construction Unit in writing within 30 days from the construction completion date and shall submit the final change order, along with the contractor's final costs. Within 90 days from the construction completion date the loan recipient shall forward two (2) copies of the final plans of record to the appropriate Agency regional field office along with a formal written request for a final inspection (a copy of the written request and a completed "Certificate Regarding O & M" (available on the Agency website) shall be sent to the Agency's IFAS Post Construction Unit). The regional field office will contact the loan recipient to schedule the final inspection within 60 days of the written request for a final inspection.

#### 8. OPERATION AND MAINTENANCE OF THE PROJECT

The Agency shall not approve the final inspection for the project unless the loan recipient has certified that the training and operation and maintenance documents have been provided in accordance with 35 Ill. Adm. Code 365.740.

#### 9. FLOOD INSURANCE

Evidence must be provided that flood insurance has been acquired on eligible structures constructed under this Loan Agreement as soon as structures are insurable.

#### 10. DELINQUENT LOAN REPAYMENTS

a) In the event that a repayment is not made by a loan recipient according to the loan schedule of repayment, the loan recipient shall notify the Agency in writing within 15 days after the repayment due date in accordance with 35 Ill. Adm. Code 365.1120 Delinquent Loan Repayments.

b) After the receipt of this notification, the Agency shall confirm in writing the acceptability of the loan recipient's response or take appropriate action.

c) In the event that the loan recipient fails to comply with the above requirements, the Agency shall promptly issue a notice of delinquency which requires a written response within 30 days.

d) Failure to take appropriate action shall cause the Agency to pursue the collection of the amounts past due, the outstanding loan balance and the costs thereby incurred, either pursuant to the Illinois State Collection Act of 1986 (30 ILCS 210) or by any other reasonable means as may be provided by law.

#### 11. SINGLE AUDIT ACT

Federal funds from Capitalization Grants for the Clean Water State Revolving Fund (i.e. see Catalogue of Federal and Domestic Assistance number 66.458), which the Agency receives from the U.S. Environmental Protection Agency, may be used for this loan. Receipt of federal funds may require an annual audit which conforms to the Single Audit Act and O.M.B. Circular A-133. If a Single Audit is required, all loans from both the Clean Water and Drinking Water State Revolving Fund receiving federal funds must be audited and included in the audit report. The Agency will notify the recipient of any federal funds disbursed during the recipient's fiscal year.

#### 12. SUBCONTRACTS UNDER CONSTRUCTION CONTRACTS

The award or execution of all subcontracts by a prime contractor and the procurement and negotiation procedures used by such prime contractor in awarding or executing such subcontracts shall comply with:

- a) All provisions of federal, State and local law.
- b) All provisions of 35 Ill. Adm. Code 365 with respect to fraud and other unlawful or corrupt practices.
- c) All provisions of 35 Ill. Adm. Code 365 with respect to access to facilities, records and audit of records.

#### 13. REQUIREMENTS OF BOND ORDINANCE

If the dedicated source of revenue is pledged in a subordinate position to an existing revenue bond ordinance, the covenants regarding coverage and reserve shall be in accordance with 35 Ill. Adm. Code 365.940.

#### 14. RECORDS RETENTION

The loan recipient agrees to establish and maintain the books and other financial records pertaining to this project in accordance with Generally Accepted Accounting Principles as issued by the Governmental Accounting Standards Board (GASB), including standards relating to the reporting of infrastructure assets per GASB Statement No. 34. The loan recipient shall maintain all books and records pertaining to this project for a period not less than 3 years from the date of the final loan closing. All records pertaining to the issuance of bonds and the repayment of this loan shall be maintained for a period not less than 3 years from the final repayment date. The loan recipient agrees to permit the Agency or its designated representatives, including the Illinois Auditor General and the Illinois Attorney General, to inspect and audit the books and financial records pertaining to the project and the expenditure of the loan funds related thereto.

#### 15. CONTINUING DISCLOSURE

The recipient covenants and agrees that, if at any time the Agency shall notify the recipient that the recipient is deemed to be an "obligated person" for purposes of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"), the recipient shall promptly execute an undertaking in form acceptable to the Agency in compliance with the Rule in which the recipient shall agree, among other things, to provide annual financial information (as defined in the Rule) with respect to the recipient to all required information repositories for so long as the recipient shall be deemed an obligated person. The recipient shall be deemed to be an obligated person at any time the aggregate principal amount of one or more of the recipient's

outstanding loans with the Agency, which are pledged to secure bonds issued on behalf of the Agency, exceeds a percentage (currently 20%) of the aggregate principal amount of all loans of the Agency pledged to secure such bonds.

#### 16. WAGE RATE REQUIREMENTS

The loan recipient is required to comply with Wage Rate requirements established in rules issued by the U.S. Department of Labor to implement the Davis-Bacon Wage Act and other related acts (29 CFR Parts 1, 3 and 5). These rules require a number of specific actions by the federal funding recipient (the IEPA), the sub-recipient (the loan recipient) and the contractor, including payroll record certification and reporting as required. More information and guidance on the Davis-Bacon Wage Act requirements are available on the IEPA web site at: <http://www.epa.state.il.us/water/forms.html#financial-assistance>

#### 17. USE OF AMERICAN IRON AND STEEL

The loan recipient will be required to comply with the “Use of American Iron and Steel” requirements as contained in Section 436 (a) – (f) of H.R. 3547, the “Consolidated Appropriations Act, 2014”.

#### 18. REPORTING REQUIREMENTS

The loan recipient will be required to comply with the volume and frequency of reporting requirements that may be required by the federal or State funding authority.

#### 19. ADDITIONAL COMPLIANCE ITEMS

The loan recipient, prime contractor(s) and subcontractor(s) shall comply with applicable federal funding certifications, non-discrimination statutes, regulations and environmental standards, including but not limited to the following:

- a) The Americans with Disabilities Act of 1990, as amended, and 42 USC 12101
- b) New Restrictions on Lobbying at 40 CFR, Part 34
- c) Immigration and Naturalization Service Employment Eligibility Rules, (I-9 Forms)
- d) False Claims Act – Prompt referral to USEPA’s Inspector General of any credible evidence of a false claim or criminal or civil violation of laws pertaining to fraud, conflict of interest, bribery, gratuity, or similar misconduct involving funds under this loan (Loan Recipient Only)
- e) The Coastal Zone Management Act of 1972, 16 U.S.C. 1451 (Loan Recipient Only)

#### 20. CERTIFICATION

By accepting this loan offer, the loan recipient certifies under oath that all information in the loan agreement and the related loan application is true and correct to the best of the loan recipient’s knowledge, information and belief, and that the loan funds shall be used only for the purposes described in the loan agreement. This offer of loan funds is conditioned upon such certification.

#### 21. FISCAL SUSTAINABILITY PLAN REQUIREMENTS

The loan recipient shall comply with the Fiscal Sustainability Plan (FSP) requirement contained in Section 603(d)(1)(E) of the Federal Water Pollution Control Act by submitting a certification that they have developed and implemented a FSP. This provision applies to all loans for which the borrower submitted a loan application on or after October 1, 2014. The Agency will send the loan recipient a FSP Development Certification form prior to final loan closing which shall be submitted and returned as directed. This condition only applies to loans issued from the Water Pollution Control Loan Program. This condition does not apply to Public Water Supply loans.