

VILLAGE OF HOMEWOOD



BOARD AGENDA MEMORANDUM

DATE OF MEETING: August 11, 2026

To: Village President and Board of Trustees

Through: Napoleon Haney, Village Manager

From: Amy Zukowski, Director of Finance

Topic: Public Water Supply - Loan Program Agreement

PURPOSE

The Illinois Environmental Protection Agency (IEPA) has mandated all Illinois municipalities that own and operate community water supplies to replace lead service lines within a proposed 10-year period. Ideally, the Village of Homewood's Lead Service Line Replacement Program will be partially funded through the State of Illinois Water Supply Loan Program. The Illinois Water Supply Loan Program, officially known as the Public Water Supply Loan Program (PWSLP), is a State-run initiative that provides low-interest loans to help communities improve their drinking water infrastructure.

Zero-Interest Loans

Under a specific part of the program called the Lead Service Line Replacement (LSLR) Loan Program, communities can apply for 0%-interest loans to help cover the cost of identifying and replacing lead service lines. Eligible activities include planning, inventory development, and construction work directly related to removing lead water service pipes.

In addition to the favorable loan terms (0%), some projects—especially those in disadvantaged census tracts — may qualify for principal forgiveness, which means part of the loan does not need to be repaid. Funding is awarded based on a scoring system that prioritizes projects with the greatest public health impact and need (schools, hospitals, senior communities and facilities, etc.).

Ordinance Authorizing Borrowing

In order to be eligible for the LSLR loan program, an ordinance must be passed providing authorization to borrow funds from the Public Water Supply Loan Program to fully or partially fund the Village's Lead Service Line Replacement Program in the year 2027. *It is important to note that while the State's program is defined as a "loan" program, municipalities must first expend local dollars that will then be reimbursed to the Village, generally taking a couple of weeks for the reimbursement.*

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PROCESS

The Lead Service Line Replacement and Notification Act (Public Act 102-0613) was signed into law August 27, 2021, with an effective date of January 1, 2022. The Act declares, for the general health, safety, and welfare of its residents, all lead service lines in Illinois should be disconnected from the drinking water supply. Furthermore, a timeline and requirements for the replacement of all lead services lines within Illinois was established.

Lead Service Line Replacement Rule (10 Years)

The current federal rule from the U.S. Environmental Protection Agency (EPA) through its updated *Lead and Copper Rule Improvements (LCRI)* requires Illinois municipalities to replace lead service lines within 10 years beginning in 2027. This federal rule mandates that most community water systems across the country, including those in Illinois, must replace all lead service lines within a 10-year period beginning November 2027. This 10-year timeframe is currently being challenged and could be modified.

Inventory of Lead Service Lines

The first required step in the Lead Service Line Replacement process was to create an inventory of any existing lead service lines within the Village. An initial inventory was submitted to the IEPA on April 15, 2023. Additional lead service lines have since been identified. The Village currently has 6,839 total water service lines. Of those water service lines, 3,707 have been identified as full or partial lead service lines and 811 service lines have not been identified to date, but per State regulations, will be categorized as lead. The Village, per statute, is required to replace a minimum of 10% (451) of our lead service lines per year with completion by the year 2037.

Material	Customer Side Service Line Inventory
Copper - No Lead Solder (C)	2,295
Copper - Lead Solder (CLS)	0
Galvanized (G)	1
Galvanized Requiring Replacement (GRR)	0
Lead (L)	3,707
Cast/Ductile Iron or Transite (O)	24
Plastic - PVC, HDPE, PEX (P)	0
Unknown (U)	811
Unknown Not Lead (UNL)	1
Total Service Lines:	6,839

Lead Service Line Replacement Plan

The next requirement was to develop a Lead Service Line Replacement Plan. With the assistance of Burns & McDonnell Engineering of MO, the Village completed the replacement plan and submitted the plan to the IEPA on April 15, 2024.

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Project Plan and Public Hearing

The Village requires assistance from the State to help fund the FY27 lead service line replacement plan. Burns & McDonnell, on behalf of the Village, submitted a Five-Year (2027-2031) Drinking Water Project Plan to the IEPA on January 8, 2026. The Plan was developed to help the Village attain funding from State loans. The IEPA reviewed and approved the Village's Plan. Approved plans are then scored and ranked to prioritize which ones will receive loan program resources and be included on the State's Intended Funding List which is released during the summer.

Prior to applying for a loan, a public hearing was also required. The public hearing was held on March 17, 2026 and offered residents an opportunity to ask questions about the Village's plan. The Plan is available for viewing on the Village's website.

Cost of Replacement

The total estimated cost to replace all of the lead service lines within the Village is approximately \$70 million. The current approximate cost for a contractor to perform one (1) lead service line replacement is roughly \$12,000 to \$15,000 per property. This cost is subject to change due to market conditions, labor costs, and tariff impacts. Staff will adjust these cost projections as the replacement plan is updated during lead service line replacements.

Public Water Supply Loan Program

Funds are available through the IEPA State Revolving Fund Public Water Supply Loan Program. The Village will need to submit an updated Project Plan annually in order to be eligible for participation in the loan program each year. The loan will be repaid utilizing revenues from the water system, which is received primarily through water rate charges. The Village's Water Rate Study from 2025 factored in the debt payments that would be necessary throughout the Lead Service Line Replacement Program.

FISCAL YEAR 2027 FUNDING REQUEST

The single year FY 2027 funding request total was \$9,044,000. This amount would allow the Village to complete up to 750 replacements depending on IEPA Funding (including 0%-interest loans, principal forgiveness for work in disadvantaged communities, and loan terms), final contractors' bids and market conditions, and the Village's ability to continue to staff and manage the program.

Homewood is divided into five (5) Census Tracts. Three (3) of the five (5) could be considered disadvantaged by the IEPA, making partial loan forgiveness a viable option for funding the replacements within those Census Tracts.

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In order to help maximize the Village's loan forgiveness potential, the \$9M requested loan amount was structured into three (3) separate loan requests. Each loan is then required to be bid separately, which will also make the contracts more competitive for local contractors.

Value for each Loan in FY 2027	Loan 1	Loan 2	Loan 3	Total
Estimated EPA Loan Amount	\$3,014,667	\$3,014,667	\$3,014,667	\$9,044,000

The IEPA has reserved \$3,014,667.00 in funding for the Village; however, the ordinance also allows for additional contingency dollars in an amount not to exceed \$4,110,772.33. The \$3,014,667.00 reserved amount was based on the lowest bid that the Village received for replacements to be completed in 2026. Because that bid doesn't reflect the higher costs of performing the work in 2027, the contingency amount would allow the Village to complete additional replacements should the IEPA have extra funding available.

POTENTIAL LOAN FUNDING AVAILABLE FOR HOMEWOOD

In early June, the IEPA issued its *draft* Intended Use Plan (IUP) List. One (1) of the Village's three (3) loans was placed on the list. The other two (2) loans were scored by the IEPA but did not make the draft IUP. The Village's loans were ranked fourth and fifth in line to possibly receive "bypass funding."

During the July 14, 2026 Board meeting, ordinances for Loans 2 and 3 were approved to authorize borrowing of the funds should they become available to the Village. These loans were brought forward for Board approval quickly in order to put the Village in the best position to access available funding should it become available.

Final Intended Use Plan

The IEPA issued the *final* FY2027 Intended Use Plan in mid-July. Funding has been reserved for Loan 1 in the amount of \$3,014,667, which includes \$1,356,600 in Principal Forgiveness (no repayment required) and \$1,658,067 in loan funding with 0% interest.

The Village's two remaining loan requests were scored and funding was reserved; however, the State's principal forgiveness funding has been exhausted is not available for either project.

The Village is currently working with Burns & McDonnell and the IEPA to evaluate the financial feasibility of moving forward with these two loans. Clarification is needed from the IEPA regarding the impact to future funding and loan forgiveness eligibility if the Village declines one or both of the reserved funding awards.

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Next Steps

With the release of the Final Intended Funding List, passage of the ordinance, and publication of the ordinance, the Village will be able to move forward with the loan application and contractor bidding process for Loan 1. Once the loan application is submitted, final loan approval is expected in late fall 2026.

The Village will continue to discuss and analyze the best path forward for the other two loans to maximize and provide an update to the Board when available.

OUTCOME

Approval of the ordinance for Loan 1 will allow the Village to move forward with the loan application to borrow funds in an amount not to exceed \$4,110,772.33 from the Public Water Supply Loan Program and partially fund the Village's Lead Service Line Replacement Program.

FINANCIAL IMPACT

- **Funding Source:** IEPA State Revolving Fund Loan
- **Budgeted Amount:** N/A
- **FY 2027 Loan 1 Not to Exceed:** \$4,110,772.33

LEGAL REVIEW

Completed

RECOMMENDED BOARD ACTION

Pass an ordinance providing authorization to borrow funds from the Public Water Supply Loan Program in an amount not to exceed \$4,110,772.33 to be used to fund the Village's Lead Service Line Replacement Program in the year 2027.

ATTACHMENT(S)

- Loan Authorization Ordinance
- IEPA's Final Intended Use Plan