

VILLAGE OF HOMEWOOD



BOARD AGENDA MEMORANDUM

DATE OF MEETING: June 10, 2025

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 2026. *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 recent rule requiring Illinois municipalities to replace lead service lines within 10 years comes from the U.S. Environmental Protection Agency (EPA) through its updated *Lead and Copper Rule Improvements (LCRI)*. 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 once compliance begins in 2027. The previous rule established a 17-year replacement period.

Expiration of the 17-Year Replacement Rule

The federal rule builds upon the state's own Lead Service Line Replacement and Notification Act, passed in 2021 under Public Act 102-0613. That state law required municipalities to inventory and plan for the replacement of lead service lines over a 17-year period. However, once the federal LCRI takes effect in 2027, it will supersede the state law and enforce the 10-year replacement timeline.

Inventory of Lead Service Lines

The first required step in the Lead 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

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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.

Project Plan and Public Hearing

The Village requires assistance from the State to help fund the lead service line replacement plan. Prior to applying for a loan, a Project Plan and Public Hearing was required. The Public Hearing was held on March 18, 2025 and offered residents an opportunity to ask questions about the Village's plan. There were roughly 24 residents in attendance. The Drinking Water Project Plan was then submitted to the IEPA on March 31, 2025 and approved by the IEPA. 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 \$8,000 to \$10,000 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 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.

LOAN FUNDING AVAILABLE FOR HOMEWOOD

For the year 2026, the estimated cost of construction and installation of the lead service lines is \$4,137,498. On or about June 1st of each year, the IEPA issues its *Intended Funding List*. The Village was ecstatic to receive news on last week that we are slated to receive \$2,000,000 in Principal Forgiveness (no repayment) and \$2,137,498 in loan funding with 0% interest (*see page 43 of the attached Intended Funding List*).

Next Steps

With the release of the 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. Once the loan application is submitted, final loan approval is expected in late fall 2025.

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OUTCOME

Approval of the ordinance will allow the Village to move forward with the loan application to borrow funds in an amount not to exceed \$4,137,498 from the Public Water Supply Loan Program and partially fund the Village's Lead Service Line Replacement Program.

FINANCIAL IMPACT

- **Funding Source:** IEPA Loan (\$2M of principal forgiveness) and (\$2,137,498 at 0% interest)
- **Budgeted Amount:** N/A
- **First Phase Estimated Cost:** \$4,137,498

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 \$4,137,498 to be used to fund the Village's Lead Service Line Replacement Program in the year 2026.

ATTACHMENT(S)

- Loan Authorization Ordinance
- IEPA's Intended Funding List