

Illinois EPA State Revolving Fund – Clean Water Initiative Series 2020 Green Bonds Maintain Triple-A Rating and Obtain Lowest Cost of Funds

by Chris Rhodes, Reporter
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SPRINGFIELD – Today, the Illinois Environmental Protection Agency (EPA) and the Illinois Finance Authority (IFA) closed their joint \$500 million Clean Water Initiative – State Revolving Fund Revenue Bonds, Series 2020 (Series 2020 Green Bonds). The bonds maintained the highest rating, “AAA” from both Fitch Ratings and Standard & Poor’s Global Ratings. The bonds were priced on December 15th at a premium, netting the State Revolving Fund Program a total of \$634 million. More than \$2 billion in AAA-rated bonds have been issued through five separate issuances since 2013 when this bond program was modernized and expanded as the Clean Water Initiative. The proceeds of the Series 2020 Green Bonds will be used to deliver clean water to the people of Illinois and fund wastewater treatment at a lower cost while putting people to work.

In furtherance of Governor Pritzker’s Executive Order No. 2019-06 on climate change and the IFA’s focus on addressing climate change through this financing, the bonds are the second green designated bonds issued through the Clean Water Initiative and by the State of Illinois in the past two years. Importantly, for the first time, the Series 2020 Green Bonds incorporates certain United Nations Sustainable Development Goals and current performance indicators posted on the IEPA website in alignment with the International Capital Market Association’s Green Bond Principles. The Series 2020 Green Bonds were 1.4 times oversubscribed and attracted 19 new investors and 4 investors who directed their orders to Environmental Social Governance (ESG)-directed accounts. The Series 2020 Green Bonds obtained the lowest cost of funds in the history of the Illinois state revolving fund leveraged bond program with an all-in True Interest Cost (TIC) of 1.81%, which significantly reduced credit spreads by at least 15 basis points.

The IEPA State Revolving Fund program is a highly efficient federal-state-local government loan program. Including the premium, the Series 2020 Green Bond proceeds will increase the capacity of the IEPA State Revolving Fund by over \$630 million. The IEPA State Revolving Fund programs provide low interest loans to Illinois units of local government to finance the construction of eligible wastewater treatment /sewage and drinking water infrastructure. The bonds are secured by pledged Illinois local government loan repayments and certain account interest earnings.

“IEPA’s continued partnership with the IFA, coupled with the second Green Bond transaction, provides a sustainable funding source for the implementation of water infrastructure projects throughout Illinois for years to come,” said IEPA Director John Kim. “These funds are necessary to provide local governments with low-interest loans to meet the needs of their communities, while improving overall water quality. The Series 2020 Green Bonds represent our continued commitment to Illinois communities to ensure safe and clean water for all residents.”

“We thank Governor JB Pritzker for his leadership on climate issues as it was the Governor’s Executive Order 2019-06 that provided the catalyst for the green designation on the Series 2020 and Series 2019 AAA-rated Clean Water Initiative Bonds,” said IFA Executive Director Chris Meister. “The IFA is proud of our longstanding and successful partnership with IEPA. The Series 2020 Green Bonds help IEPA provide residents across Illinois with cleaner water at a lower cost while putting women and men to work building this essential water infrastructure. In addition to obtaining the lowest cost of funds to date for Illinois EPA and Illinois taxpayers, we were also able to assemble a transaction team that reflects the diversity of Illinois.”

Over its 30 plus year history, the IEPA’s Wastewater and Drinking Water Loan Programs under its State Revolving Fund have made \$9.16 billion in low-cost loans available to local governments. Local governments can use these funds for a variety of wastewater and drinking water-related projects, including new drinking water or wastewater infrastructure construction, the removal and remediation of lead drinking water service lines, upgrading or rehabilitating existing infrastructure, stormwater-related projects that benefit water quality, and other projects that protect or improve the quality of Illinois’ rivers, streams and lakes. Updating these systems improves safety and enables compliance with current state and federal standards.

Proceeds from Series 2020 Green Bond sale are combined with federal grant funds and past loan repayments to provide a sustainable revenue stream to support the essential water infrastructure needs of both small and large Illinois communities. Over the next 20 years, IEPA estimates a need for \$6.475 billion in wastewater projects and \$3.2 billion in drinking water projects throughout the state.

As a result of the sale of the Series 2020 Green Bonds, the IEPA’s State Revolving Fund will continue providing low-interest loans to local communities to replace or update old water infrastructure without the use of General Revenue Funds. To learn more about IEPA’s State Revolving Fund Loan Programs, visit <https://www2.illinois.gov/epa/topics/grants-loans/state-revolving-fund/Pages/default.aspx>.