



TO: Mayor Sorenson and Common Council Members
FROM: Casey Bradley, City Administrator
DATE: December 30, 2024
SUBJECT: Safe Drinking Water Loan/Promissory Notes

This memorandum intends to provide background regarding the \$846,365 Taxable General Obligation Lead Service Line Replacement Promissory Notes, Series 2025 sale that will be on the next agenda.

Background

The City, through the Water Utility, applied to receive funds from the DNR to assist property owners in replacing their private lead service lines (“LSL”). Through the DNR program, a municipality could be awarded a combination of principal forgiveness and a loan. Funds awarded as principal forgiveness is like a grant -- no debt is incurred for these funds. Funds awarded as a loan must be paid back. A municipality awarded a combination of principal forgiveness and loan must accept the loan in order to receive the principal forgiveness.

For State Fiscal Year 2024, the City was eligible to receive 75% principal forgiveness and 25% loan for private LSL replacements in three census tracts. To secure the 25% loan (and obtain the 75% PF), the city is required to provide security for the loan in the form of a general obligation pledge.

While the City is asked to provide security for the DNR loan, City funds will not be required to repay the loan. The City, through the Utility, will provide financial assistance to eligible property owners who replace their private LSLs. Financial assistance will be provided in the form of a grant and a loan. Loan repayments from property owners will be used to pay back the City’s loan from the DNR.

Next Steps

If approved by Council, the city, through the Water Utility, will receive a loan of \$3,092,987 from the Safe Drinking Water Loan Program. The Department of Natural Resources, who is overseeing this program will forgive \$2,246,622 of the loan and the net remaining will be \$846,365. This is the amount we are being asked to support with our General Obligation pledge. All of these funds will be used to defray the costs individual homeowners will incur to replace their lead service lines. Ultimately, the \$846,365 will be repaid by benefiting homeowners as their 25% cost share of this work. We are recommending that the city back this loan for the purposes of getting 75% of the costs covered for homeowners while securing a low interest loan option for the remaining 25%.

Casey Bradley
City Administrator

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If you have any questions, please don't hesitate to contact me.

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