

To: Chairman Board and members of the Public Works Commission December 10, 2024
From: Peter Hartz – Water Systems Manager

Re: December 10, 2024, Public Works Commission agenda item

Water Systems:

Review and take possible action: Approve and verify funding breakouts for the private lead service replacement program in census tract (CT) CT1002, CT9620, and CT City Wide remaining.

Background:

- In 2020, the city set a goal of replacing all the lead services by 2030. The city started in 2021, backing up projects in 2018, 2019, 2020 and replacing all the partial services that were left while doing the public side water service. A total of 150 were replaced in 2021, 456 replaced in 2022, and 102 replaced in 2023. Over those years a total of 708 lead services were replaced. At the end of 2023 the Department of Natural Resources exhausted the private lead service replacement funds. New opportunities were sought by the city which included the Bipartisan Infrastructure Law-funded Lead Service Line (LSL) Replacement funding which was incorporated into the regular Safe Drinking Water Loan Program (SDWLP) State Fiscal Year (SFY) 2025 funding cycle.
- May 14, 2024 – the PWC is provided an update regarding the submittal of applications for funding the replacement of all remaining lead water services in the city of Watertown. Watertown chooses to include the entire city and all remaining lead services with a completion goal of 3 years.
- November 4, 2024 - DNR issues press release and shares the statewide project ranking for the SFY 2025 private lead service replacement funding, Watertown ranks very well and will be funded for a total of shared project rankings for the private lead service replacement program. This breakdown is very close to the estimated PF/loan calculations prepared by Strand. All costs not funded through private or remaining cost (public) PF should come in the form of a 0.25% interest loan. All our applications received at least 50% private PF with the breakdown as follows:

Census Tract (CT)	Project #	LSL PERF Score	Requested Costs	Private Costs	Private PF %	Allocated Private PF	Private Side Loan	Remaining Costs	Remaining Cost PF %	Remaining Cost PF Allocation	Remaining Costs Loan
1002	5439-09	307	\$3,334,100	\$3,334,100	100%	\$3,334,100	\$0	\$0	10%	\$0	\$0
9620	5439-07	276	\$1,771,000	\$1,771,000	75%	\$1,328,250	\$442,750	\$0	10%	\$0	\$0
City-Wide	5439-08	274	\$8,915,700	\$3,415,698	50%	\$1,707,849	\$1,707,849	\$5,550,002	10%	\$550,000	\$4,950,002
Total			\$14,020,800	\$8,520,798	--	\$6,370,199	\$2,150,599	\$5,550,002	--	\$550,000	\$4,950,002

- November 15, 2024 – the water department mails out individual letters to all customers who have a lead, galvanized or unknown water service in the City of Watertown, over 1,078 letters are sent.

Regarding the PSC program requirements, the attached final decision lays all of that out. This program, which mirrors City Code 512-87 (Amd. Ord 20-27) will allow the City to offer eligible customers a grant to pay for up to 50% of the cost to replace the private-side LSL, to a maximum grant amount of \$5,000. Any cost above this amount will be provided in the form of a loan to the property owner over a 10-year period at a 2.5% interest rate to pay back the SDWLP loan.

Any significant changes to the PSC's program must first receive approval from the PSC. Because we now know exactly how much funding the city will receive for each of the three applications, the actual expenses can be somewhat narrowed down, as we anticipated the total grant cost to be 50% of \$7,000,000 or \$3,500,000 over three years. However, until the project is Bid out and awarded, we won't know actual costs and how the various WDNR PF allocations will shake out. This might have to involve a conversation with both the PSC to see if their approval is needed based on the WDNR PF allocations or upcoming Bid results.

The total number of private LSLs to be replaced is 1,109. CT 1002 contains 433 private LSLs and will be provided 100% PF from the WDNR, so no loan is expected to be needed for property owners. CT 9620 contains 230 private LSLs and will be provided with 75% PF from the WDNR. The remaining 25% is expected to be funded through the PSC program using water rates, so no loan is expected for the property owners. The remainder of the city contains 446 private LSLs and will be provided with 50% PF from the WDNR. The remaining 50% is expected to be funded through the PSC program using water rates, so no loan is expected for the property owners. There are 440 public LSLs in the City, which are categorized as "Remaining Costs" and will be provided 10% PF from the WDNR. The remainder of the costs will be taken out as a loan from the WDNR.

Actual costs won't be known until the project is Bid out so the PF percentages can be allocated against an actual cost.

Financial Impact: This project was included in the 2025 capital improvement budget that was approved on 11/19/2024, the approved project funding source was the SDWLP, new debt must be recuperated from the water customers following City of Watertown City Code 512-87 (Amd. Ord 20-27).

Recommendation: Support and approve funding allocations and sources for the 2025 Private and Public Lead Service Replacement City-Wide Program.

Sincerely,
Peter Hartz

Water Systems Manger