

## Water Systems

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To: Mayor Stocks and members of the Finance Committee  
From: Peter Hartz – Water Systems Manager

July 17, 2025

Re: Water Systems agenda item for July 21, 2025

### **Water Department:**

#### Review and update – Water Department, 2025 Private Lead Service Line Project

On April 22, 2025, Five Star Energy Services, LLC (FSES) was awarded the citywide lead service replacement project for \$7,772,734. This project will span 3 years from start to finish, beginning in September of 2025, and completion tentatively scheduled for late 2027.

The funding for this project comes from the Bipartisan Infrastructure Loan (BIL) program and is administered by the Wisconsin Department of Natural Resources (WDNR). We are getting a loan for the project amounting to \$8,218,522 (including 5% contingency, and money to buy water filters for residents). \$5,109,324 is treated as a grant as the principal will be forgiven (PF). The remaining balance of \$3,109,198 is expected to be paid with the water department cash reserves. However, the Department of Administration (DOA) and WDNR have stated to Watertown that the city needs to provide the funds in a general obligation note to pay for the project. The general obligation note is needed because the money is loaned to the City of Watertown and not the Water Utility, however the Water Department (System) will pledge revenue for the bonds to cover the general obligation for the purpose of paying the cost of the project which comes from borrowing on the credit of the income and revenue of the Water System.

An additional requirement for receiving the BIL funding each individual property owner needs to be invoiced for the lead water lateral removal following the requirements Ordinance #20-27 related to the water lateral connection found in city code §512-87. The alternative to the invoice option is to follow the special assessment procedure provided in Wisconsin Statutes §66.0809 and the charge would show up on the parcel tax bill. Neither of these options would impact the tax levy, and the repayment of the lateral replacement is between the property owner and the city, the government just needs to see that the cost was levied to the parcel where the lateral was replaced.

As a result of our citywide program, 4 separate financial assistance agreements will need to be reviewed and passed by resolution as our project area was split up to maximize the PF of the loan. We expect to be presenting these agreements to the City Council on August 19, 2025, and then WDNR has tentatively listed the loan closing dates as August 27, 2025.

City staff discussed our options with the DOA, WDNR, and our Baird representative recently, the details of which I will refer to our Finance Director Mr. Stevens who can better explain how we plan to move forward for this project funding. Included with this memo are copies of the financial review by the DOA showing what a 5-year pledge, and a 20-year pledge would look like, which were just received on July 16, 2025.

Sincerely,  
*Peter Hartz*

Water Systems Manager