

To: Mayor Stocks; Finance Committee
From: Peter Hartz – Water Systems Manager

March 11, 2026

Re: Transfer of excess Water Utility funds and establishment of the Private Lead Service Financial Assistance Project Fund

Review and take possible action: Recommend acceptance of \$1,255,000 in excess Water Utility funds to establish and fund the Private Lead Service Financial Assistance Project Fund for private-side lead service line replacement assistance as authorized under **Wis. Stat. § 66.0811(2) and (3)**.

Background:

In 2020, the City set a goal of replacing all lead service lines by 2030. The Water Systems Department began implementation in 2021, building on earlier work from 2018–2020, and has made significant progress replacing lead services across the community. Through the end of 2023, the City replaced a total of 708 lead services (150 in 2021, 456 in 2022, and 102 in 2023).

At the end of 2023, the Wisconsin DNR exhausted the prior private lead service replacement funding, and the City pursued new opportunities through the Bipartisan Infrastructure Law-funded Lead Service Line Replacement program administered through the Safe Drinking Water Loan Program.

In 2024, the Public Works Commission was updated on the City’s funding applications and approach to include the entire City and all remaining lead services, with a goal of completion within three years. As part of the SFY 2025 funding cycle, Watertown received strong rankings and significant principal forgiveness allocations across three projects (CT1002, CT9620, and City-wide), which positioned the City well to complete the private-side replacement work while minimizing homeowner financial burden. In addition, the program requirements align with City Code 512-87 (Amd. Ord 20-27) and the PSC structure allowing eligible customers to receive grants toward private-side replacement costs.

On Tuesday March 10, 2026 the Public Works Commission unanimously approved the transfer of the funds to the to establish and fund the Private Lead Service Financial Assistance Project Fund for private-side lead service line replacement assistance as authorized under **Wis. Stat. § 66.0811(2) and (3)**.

The attached resolution is intended to ensure the City has a dedicated and legally supported local funding mechanism to assist with private-side lead service line replacement.

- The Public Works Commission resolution authorizes the transfer of **\$1,255,000** of excess Water Utility funds into a special fund within the City’s General Fund titled the **Private Lead Service Financial Assistance Project Fund**, as permitted under **Wis. Stat. § 66.0811(3)**.
- The Finance Committee resolution recommends formally accepting the transfer, establishes/affirms the special project fund, and amends the 2026 budget to appropriate the funds for program use.

Fiscal Impact

The fiscal impact of this resolution is a loss of **\$1,255,000** from Water Utility fund balance, but a deposit of said funds into the Private Lead Service Financial Assistance Project Fund, with a corresponding 2026 budget amendment. These funds will be restricted for private lead service line financial assistance (grants/reimbursements and program administration), supporting project implementation and helping reduce the risk of unplanned rate impacts or delays.

PSC Coordination

The Public Service Commission oversees all utility operations and rate structures in the state of Wisconsin. City staff discussed this proposal with PSC staff, who provided the following information:

- PSC approval for the transfer and use of Utility funds for private-side lead service lateral replacement assistance is not required at this time. PSC views the proposed transfer and use of the Utility's unrestricted fund balance as a municipal action governed by Home Rule, rather than a Utility action.
- The PSC will review the use of the Utility's fund balance during the City's next simplified rate cases, anticipated in 2030 and 2031.
- Transfers of this nature are uncommon and have not previously been used to support private-side lead service replacement in Wisconsin. The PSC indicated that all such transfers will be subject to strict scrutiny during review in 2030 and 2031.
- If the PSC determines that the transfer adversely affected the Utility's financial position, it may issue remedial orders. However, ratepayers will not be responsible for restoring the Utility's financial health; instead, the Utility and the City would be required to restore the Utility's fund balance.

Recommendation

I recommend the Finance Committee support and approve accepting the excess funds for financial assistance needed for the lead service line replacement costs and the resolution as presented to forward to the city council for adoption.

This action provides a dedicated funding structure for private-side lead service line replacement assistance, strengthen long-term program administration, and support the City's overall goal of eliminating lead services while protecting public health and minimizing cost burden to residents.

Sincerely,
Peter Hartz

Water Systems Manger