

## Brad Marquardt

---

**From:** Bilskemper, Justin <Justin.Bilskemper@strand.com>  
**Sent:** Monday, May 20, 2024 5:19 PM  
**To:** Brad Marquardt  
**Cc:** Jim Bergner; Coons, Dakin; Fisher, Mark  
**Subject:** Whitewater PF and Pledge Options Discussion  
**Attachments:** PF Calculations.xlsx; SFY2025\_PF\_Data.xlsx; LSLApplicationFilingRequirementsVersion2.pdf; Ex 2 - City Code 512-87 (Amd. Ord. 20-27).pdf; volume13-issue01\_2024-01.pdf

**Importance:** High

**CAUTION:** This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Brad,

Thanks again for taking the time to discuss the financing-related portions of your LSL project. As promised, the following is a brief discussion on the pledge options with various links. Much of this information is taken from the [WDNR EIF](#) and [PSCW Water Regulation](#) webpages.

Before digging into the details on these pledge options, I did take some time to go through your PF scoring for private-side LSL replacements. The results of that scoring, along with the data source provided by WDNR for SFY 2025 is attached. This is an update to the scoring from last fall, in which you received 170 points using SFY 2024 data. With the new SFY 2025 data, you scored 145 points, which still puts the City into the “up to 100% LSL PF for private side replacements” category. The “up to” part of the language gives me pause, but a recent phone call with Becky Scott (WDNR SRF Loan Manager) revealed to me that for SFY 2024, WDNR was able to allocate all requested PF without having to use the “up to” qualifier. That is no guarantee that the same PF allocation will be given this year, but there is a strong chance the City may receive 100% PF for all of its private LSL replacements. That would make the rest of this email discussion on private LSL funding a moot point.

### General Obligation Pledge

Repayment of the obligation secured by an irrevocable tax levy (property tax) imposed at the time the obligation is issued. Principal amount outstanding cannot exceed 5% of a municipality’s equalized assessed value. Not popular as a pledge for SDWLP loans because of other municipal capital improvement projects that would compete for that 5% limit. Does not require PSCW water rate increase or a mandatory LSL replacement ordinance, which may be attractive for some municipalities.

### Revenue Pledge

Repayment of the obligation secured by specific revenues with as water revenue, special assessments, impact fees, or TID funds. For **private-side** LSL replacements, any municipality that is not awarded 100% principal forgiveness (PF) will be required to take out a loan from the SDWLP to cover costs not covered by PF. Taking out this loan involves using a revenue pledge with one of two options: Water Rate Revenue Pledge or Alternative Revenue Pledge.

1. Water Rate Revenue Pledge:
  - a. Involves applying to the PSCW for a [Customer-Side LSL Replacement Financial Assistance Program](#), which allows a utility to pay for up to 50% of a private LSL replacement using ratepayer dollars with the

remaining cost issued as a loan to the homeowner through the UTILITY. The application for this program is attached.

- b. These program costs can only be recovered in rates through a conventional water rate increase.
- c. This program requires the implementation of an ordinance that permits the utility to provide financial assistance to the owner of a property that contains a private LSL. Sample ordinances here: <https://dnr.wisconsin.gov/sites/default/files/topic/Aid/loans/lead/LSLmandatoryOrdinances.pdf> and I've attached Watertown's for reference as well.
- d. The ordinance must also require the owner of a property that contains a private LSL to replace it.
- e. A recent phone call this afternoon with Ehlers expressed concern over how a municipality is supposed to earn a rate of return or depreciate an asset that isn't theirs (being the homeowner's private service line), which lead to the creation of the alternative revenue pledge option below.

## 2. Alternative Revenue Pledge

- a. See attached for a recent WDNR EIF newsletter that describes this option, permitted by Wis. Stat. § 66.0627(8)(ag), which essentially removes any dealings with the PSCW.
- b. This is functionally the same as the PSCW program, where a program is implemented to have property owners cover their share of the private LSL replacement costs using a loan. Repayment of these loan costs are then pledged to repay the SDWLP.
- c. Setting up this program requires the development of two ordinances, one to set up the loan program and one for mandatory LSL replacement. Sample ordinances have already been linked above.
- d. This property owner loan program must be established/administered by the CITY, not the UTILITY.

Lastly, as discussed, there is two more years of funding left for LSL replacements, with an estimated amount of over \$81M each year. This does not account for reallocated funds from other states that are not fully using their allocated LSL funds, which Wisconsin has been receiving recently (\$4M alone this year for SFY 2025). The snippet from <https://dnr.wisconsin.gov/aid/BILfunding> below shows the funding available for **SFYs 2026 and 2027**. The SFY 2026 ITA/PERF would be due by this October 31, 2024.

## 5-YEAR FUNDING TOTALS BY PROGRAM

Corresponding Fiscal Years		CWFP Supplemental	CWFP Emerging	SDWLP Supplemental	SDWLP Emerging	SDWLP LSL Replacemen
FFY 2022	<b>SFY 2023</b>	\$48,116,000	\$2,527,000	\$30,660,000	\$12,877,000	\$48,319,000
FFY 2023	<b>SFY 2024</b>	\$56,351,000	\$5,749,000	\$36,053,000	\$13,082,000	\$81,203,000
FFY 2024	<b>SFY 2025*</b>	\$61,291,661	\$5,728,500	\$39,049,000	\$13,082,000	\$81,203,000
FFY 2025	<b>SFY 2026*</b>	\$66,392,923	\$5,728,500	\$42,299,000	\$13,082,000	\$81,203,000
FFY 2026	<b>SFY 2027*</b>	\$66,392,923	\$5,728,500	\$42,299,000	\$13,082,000	\$81,203,000

\* Estimated

Lets plan to touch base again in late May or early June.

Justin



**Justin Bilskemper, P.E. | Senior Associate**

Strand Associates, Inc.®

608.251.4843 ext. 1011

[justin.bilskemper@strand.com](mailto:justin.bilskemper@strand.com) | [www.strand.com](http://www.strand.com)

P.E. (IL, WI)

# E-Bulletin Newsletter



To provide affordable financial assistance to communities within Wisconsin for water infrastructure projects that protect and improve public health and water quality for current and future generations.



## Inside this Issue

Time Frame for SFY 2025 PPLs	1
Alternative Revenue Pledge Option for Private LSL Replacement Projects	1,2
Jeanne Cargill Retired	2
New Staff to Help Your Community Access Funding	3,6

## Time Frame for SFY 25 PPLs

We intend to publish the State Fiscal Year 2025 Clean Water Fund Program and Safe Drinking Water Loan Program Project Priority Lists in **early spring 2024** on the [Project Lists & Intended Use Plans page](#).



## Alternative Revenue Pledge Option for Private Lead Service Line Replacement Projects

Have you been thinking about applying for private lead service line (LSL) replacement funding from the Safe Drinking Water Loan Program (SDWLP) but delaying actually doing it because you don't want to go through the Public Service Commission of Wisconsin (PSC) approval process to use ratepayer funds? Or do you have a State Fiscal Year (SFY) 2024 SDWLP application submitted but are unsure which pledge option to utilize?

If so, the WI Departments of Natural Resources and Administration have another *option* available. This *option* does not involve the PSC approval process and can be used anytime a portion of the private-side replacement costs have to be borne by the property owners.

Note: On 11/28/2023, the DNR along with DOA held an implementation working meeting to discuss an alternative revenue pledge *option* for private-side LSL replacement projects with consultants and financial advisors, [view the recording](#).

## Why do we have to take out loan funding?

Any municipality that was not allocated 100% principal forgiveness (PF) for their private side LSL replacements will be required to take out loan funding from the SDWLP to cover the private-side costs that are not covered by

PF. This is due to the fact that we cannot award LSL PF if we do not also award the amount of LSL loan dollars that are necessary to maintain a 49% principal forgiveness to 51% loan and set-asides ratio for the overall LSL funds we received from the [Bipartisan Infrastructure Law](#). For SFY 2024, after removing set-asides from the equation, the PF to loan ratio comes to 59% PF to 41% loans.

## How does this new alternative revenue pledge work?

The basic foundation of the alternative revenue pledge *option* is that the municipality sets up a program to loan funds to property owners to cover their share of the private LSL replacement cost. Repayments from this Property Owner Loan Program are pledged as the revenue to repay the SDWLP loan. Setting up this program requires the development of two ordinances – one to set up the loan program and the other to lay out when replacements are mandatory – as well as various forms to be used in administration of the program such as the agreement between the municipality and the property owner. Example ordinances will be available on DNR's website in the near future and also can be obtained from your DNR loan project manager. This pledge *option* can be utilized with prequalified list projects or projects utilizing a municipally bid contract.

[Alternative Revenue Pledge Option cont'd on pg. 2](#)

DNR, Environmental Loans Section—CF/2, 101 S. Webster Street, PO Box 7921, Madison, WI 53707-7921  
[dnr.wi.gov/aid/eif.html](http://dnr.wi.gov/aid/eif.html) | CFWP phone: 608-358-3330 | SDWLP phone: 608-720-0802 | [staff directory webpage](#)



Program implementation details are outlined in chs. [NR 162](#) and [NR 166](#), Wis. Adm. Code. [Legal notice](#): This document is intended solely as guidance and does not contain any mandatory requirements except where requirements found in federal regulations or state statutes or administrative rules are referenced. Any regulatory decisions made by the Department of Natural Resources in any matter addressed by this guidance will be made by applying the governing federal regulations and state statutes and administrative rules to the relevant facts. The Wisconsin Department of Natural Resources provides equal opportunity in its employment, programs, services, and functions under an Affirmative Action Plan. If you have any questions, please write to Equal Opportunity Office, Department of Interior, Washington, D.C. 20240. This publication is available in alternative format upon request, call 608-267-9481 for more information.

Alternative Revenue Pledge Option for Private LSL Replacement Projects continued from page 1

## How will the SDWLP loan be structured?

The loans the municipality makes to property owners can be for up to 10 years with an interest rate of up to 4%, and the SDWLP loan covering those costs can be for up to 12 years with an interest rate of 0.25%. In instances where an LSL replacement project involves both public and private-side replacements, the funding for the public-side replacements will have to be awarded in a separate Financial Assistance Agreement (FAA) with a water revenue or general obligation (GO) pledge, but a separate SDWLP application for those costs is not necessary.

## What steps do we need to take now?

If you currently have a SDWLP application in for private LSL replacement funding and you are **not** planning to utilize this alternative revenue pledge *option* or the GO note pledge *option*, then you need to submit your

[LSL application to the PSC for approval to use ratepayer funds](#) as soon as possible in order to be through that process in time to close on your SFY 2024 SDWLP FAA(s) before the end of September 2024.

If you think this alternative revenue pledge *option* might be the right choice for your project, let your DNR loan project manager know, get copies of the sample ordinances, and start discussing with your municipal attorney and bond counsel.

## Contact information

Direct LSL program questions to Becky Scott, Environmental Loans Section Manager, at [rebecca.scott@wisconsin.gov](mailto:rebecca.scott@wisconsin.gov).

Direct questions about pledge options to DOA at [DOAEIF@wisconsin.gov](mailto:DOAEIF@wisconsin.gov).

---

## Jeanne Cargill Retired

After nearly 39.5 years of state service, Jeanne Cargill, Environmental Loans Section Program and Policy Analyst, decided it was time to retire. Jeanne's last day in the office was January 2, 2024.

Her kindness and thoroughness will be missed by staff in the DNR Bureau of Community Financial Assistance (CFA). Jeanne has been an irreplaceable asset to Wisconsin's Environmental Improvement Fund.

### We all wish her the best in her retirement

where we know she will keep busy tackling many home projects and spending time with family and friends.

Jeanne began her civil service career at the Wisconsin Department of Revenue as a Word Processor. She spent one and a half years in that position before moving over to the Wisconsin Department of Transportation's (DOT) Division of Highways. During Jeanne's seven years at DOT, she served as a Program Assistant and an Administrative Assistant.

On November 1, 1992, Jeanne joined the Wisconsin DNR's CFA Bureau and went on to serve in many important roles for the next 31 years, to the benefit of the Environmental Loans Section. Under the official titles of Financial Assistant Specialist, and Program and Policy Analyst, Jeanne filled various roles, serving as a Loan Project Manager, the Clean Water Fund Program (CWFP) Hardship Assistance Specialist, the Safe Drinking Water Loan Program (SDWLP) Specialist, and the analyst of Wisconsin Administrative Codes and State Statutes.

Before she left, Jeanne was kind enough to share the following with us:

Our Clean Water and Drinking Water State Revolving Fund team members at the DNR (in both Central Office and the field) and the Wisconsin Department of Administration have always done a great job of collaborating on our work. It has

been a pleasure working with and getting to know each person I served with. They are all bright, responsive people working to protect the Waters of the State and provide safe drinking water to Wisconsin residents. I leave after 31 years of doing this work, knowing that the programs remain in very capable hands. I also appreciate all the hard-working consulting engineers I grew to know over the years. Without their dedication to their clients, the CWFP and SDWLP would not continue. I learned a great deal in my 31 years at DNR.



**Thank you to all who I've had the pleasure of learning from.**