

Reply to Common Council File No. 171512  
From DOA-Budget and Management Division

February 15, 2018

Ref: 18007

Common Council File 171512 contains a resolution authorizing up to \$2,000,000 of 2017 Contingent Borrowing for lead service line replacements in 2017.

This resolution authorizes up to \$2,000,000 of contingent borrowing for costs associated with replacing the privately-owned portion of lead service lines in 2017. File 160742 mandates the replacement of the privately-owned portion of a lead service line when a leak or failure is discovered or when the utility-owned portion of a lead service line is replaced as part of a planned or emergency infrastructure project.

File 160742 also provides for a city subsidy for residential properties meeting certain criteria. The subsidy limits an eligible property owner's share of the cost to the lesser of 1/3 the cost of replacing the privately-owned portion of the lead service line or \$1,600. Prior to the passage of File 160742, the cost of replacing the privately-owned portion of a lead service line was estimated to be \$5,000.

The 2017 lead service line replacement program was set up to replace service lines at 300 childcare facilities or schools and 300 properties experiencing leaks or failures. The full cost of replacing the privately-owned portion of 300 childcare facilities and schools were to be funded by \$1.6 million of Wisconsin Department of Natural Resources Safe Drinking Water Loan Program principal forgiveness funds. The Safe Drinking Water Loan Program was also to provide \$1,000,000 of principal forgiveness funds, which was to fund the subsidy for the 300 properties anticipated to experience leaks or failures. The remaining \$600,000 was to come from owners of properties other than childcare facilities or schools that had their lead service line replaced in 2017.

There are two major reasons why the 2017 Lead Service Line Replacement Program requires up to \$2,000,000 of contingent borrowing authority. First, in 2017 Water Works replaced more lead service lines associated with leaks and replaced fewer lead service lines associated with childcare facilities. Instead of the 300 leaks and 300 childcare facilities that were projected for 2017, Water Works instead replaced lead service lines associated with 432 leaks and 144 childcare facilities. Since replacement of the privately-owned portion of a lead service line at childcare facilities are fully subsidized by the Safe Drinking Water grant and only limited funds were available for properties with leaking lead service lines, the funding allocated for the City subsidy was insufficient.

The second major reason for the need to allocate contingent borrowing authority is that the cost of replacing the privately-owned portion of lead service lines was significantly higher than anticipated. Instead of the anticipated average cost per private-side replacement of \$5,000 the actual average cost of private-side replacement in 2017 was \$7,100 based on invoices received to date. The initial estimate did not take into consideration the unusually long length of water service lines at some properties. A relatively small number of such properties with long service lines disproportionately drove up the average cost per replacement. Water Works staff is currently developing strategies to limit the costs associated with replacing these unusually long services.

In order to authorize funding for the City's financial obligations under File 160742, the Common Council should adopt File 171512.

**RECOMMENDATION: ADOPT COMMON COUNCIL FILE NUMBER  
171512**



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