

Reply to Common Council File No. 160742
From DOA-Budget and Management Division

November 11, 2016

Ref:

File 160742 contains a substitute ordinance mandating the replacement of lead water service lines and establishing a special assessment for lead water service lines on private property.

Milwaukee's drinking water is clean and safe to drink. But lead can dissolve from lead plumbing. Lead is not found in Milwaukee's source water, Lake Michigan, and it is not found in water as it leaves the drinking water treatment plants. Milwaukee's water meets all Environmental Protection Agency standards for water quality.

Years ago, lead was used in paint, plumbing, and other products. The most common source of lead is from paint in older homes. Guidance from the United States Environmental Protection Agency (EPA) indicates that it is likely that the federal lead and copper safety rule will develop more prescriptive mandates requiring the removal of lead plumbing lines that serve drinking water customers.

While lead is not found in Milwaukee's treated water, lead may be introduced into the water from lead service lines and plumbing fixtures owned by our customers, especially when water stands unused for several hours. To control lead dissolving into the water, Milwaukee Water Works (MWW) treats the water with a compound that forms a protective coating inside pipes. Ground disturbance can also result in lead particles entering a property's water supply.

The EPA rule revision is expected to provide for a timeline for the removal of lead service lines. The 2017 budget includes approximately \$3.9 million for the lead service line replacement program. This includes \$3.6 million for replacement of the utility owned portion of approximately 600 service lines. The remaining \$300,000 will fund one new position to coordinate programming for service line replacement, one chemist position for additional sampling, and will cover costs of filters and bottled water for properties experiencing service disruption as a result of work related to lead service lines. \$1.6 million of Safe Drinking Water Program funding is expected to be sufficient to cover the cost of replacing lead service lines at 300 schools and daycares in 2017. An additional \$1 million of Safe Drinking Water Program funding will also partially fund the cost of replacing approximately 300 lead service lines that experience leaks in 2017.

The proposed substitute ordinance mandates the complete replacement of both the utility owned and the privately owned portions of a lead service line when a leak is discovered or when an emergency or planned infrastructure project affects a lead service line. The proposed substitute ordinance creates a cost-sharing program for eligible property owners to limit costs incurred by the property owner to the lesser of \$1,600 or the average current cost to replace the privately owned portion of a lead service line. The proposed substitute ordinance also permits eligible property owners to use special assessment financing to pay their portion of the cost over a maximum of 10 years. The proposed substitute ordinance includes penalties for non-compliance with the full replacement mandate. These penalties

may include fines of \$100 per day for a maximum of 16 days, and the discontinuation of water service to non-compliant properties.

The fiscal impact for Milwaukee Water Works in 2017 is expected to be approximately \$3.6 million. This will be funded through ratepayer funds from sale of water. Since grant funding was obtained to for the city's portion of the costs of lead service line replacement in 2017, there is no immediate fiscal impact to the city. However, future grant funding is uncertain at this point. As the lead service line replacement program is scaled up over coming years, it will be necessary for the city to borrow in order to subsidize replacement of the privately owned portion of lead service lines. When the program is fully scaled up to replacing 1,400 properties per year, based on current estimates approximately \$5 million per year will be necessary to fund the program. The city will continue to aggressively seek State and Federal grant funding opportunities, but in the absence of State or Federal funding the city would fund the estimated \$5 million per year in the city's capital budget.

RECOMMENDATION: ADOPT FILE 160742.



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BJC:dmr