

## **PRIVATE LEAD SERVICE LINE REPLACEMENT FUNDING**

### **Alternative for Securing SDWLP Loan**

Money is available from the Safe Drinking Water Revolving Loan Program to assist with the replacement of private lead service lines. A municipality may receive SDWLP funds as a loan or as principal forgiveness or as a combination, depending on eligibility.

A municipality receiving SDWLP funds as a loan must provide security for the loan. Security may be provided as a general obligation pledge or a revenue pledge. Typically, a revenue pledge is provided from a municipality's water utility charges. However, Public Service Commission approval under Wis. Stat. § 196.372 is needed to provide a revenue pledge based on water utility revenues for a SDWLP loan used to fund private lead service lines replacements.

Municipalities now have another option for providing a revenue pledge to secure a SDWLP loan to fund private lead service lines replacements.

Wisconsin Statute § 66.0627(8)(ag) permits a municipality to establish a loan program for property owners to replace private lead service lines. Going forward, the Wisconsin Department of Natural Resources and the Wisconsin Department of Administration will accept a municipality's pledge of these loan repayments as security for the SDWLP loan.

A municipality is authorized to collect loan repayments under Wis. Stat. § 66.0627(8)(ag) by placing a special charge on the property owner's tax bill. Special charges are then collected like taxes.

In order to use this alternative, a municipality should adopt an ordinance establishing a loan program under Wis. Stat. § 66.0627(8)(ag). It is important that this loan program be established and administered by the municipality, not the water utility. Because this is a municipal program and water utility funds will not be used, Public Service Commission approval is not required for this alternative.

A municipality may provide a property owner with a grant to cover a portion of the cost to replace their private lead service line and a loan to cover the remainder of the costs. Any grant funding can originate from awarded SDWLP principal forgiveness, or from other municipal funds.

A loan agreement between the municipality and the property owner should set forth the amount of the loan, the interest rate, the length of the term, and collection of loan repayments as a special charge on the property owner's tax bill.

The municipality will use the loan repayments from property owners to pay off the municipality's SDWLP loan for private lead service line replacements. Stated another way, the source of repayment pledged to the municipality's SDWLP loan will be the revenues of the municipality's loan program (that is, the loan repayments received from property owners).