It is expected that a Quorum of the Personnel Committee, Board of Public Works, and Administration Committee will be attending this meeting: (although it is not expected that any official action of any of those bodies will be taken)

CITY OF MENASHA
Special Joint Common Council
and
Water & Light Commission
100 Main Street, Menasha
October 15, 2018
5:00PM

AGENDA
AMENDED

A. CALL TO ORDER

B. PLEDGE OF ALLEGIANCE

C. ROLL CALL

D. PUBLIC COMMENTS ON ANY MATTER LISTED ON THE AGENDA (five (5) minutes time limit for each person)

E. DISCUSSION
   1. Lead and Galvanized Water Service Lateral Replacement Partnership.

F. RESOLUTIONS AND ORDINANCES
   2. O-9-18 An Ordinance Amending Title 9, Chapter 2 of the Code of Ordinances (Lead and Galvanized Water Service Laterals)
   3. O-20-18 An Ordinance Amending Title 9, Chapter 2 of the Code of Ordinances (Lead & Galvanized Water Service Replacement Program) (Introduced by Mayor Merkes)
   4. Motion to rescind (or amend) something previously adopted: Revolving Lead Service Line Loan Program adopted April 25, 2018. (Water & Light Commission members only).

G. ADJOURNMENT

"Menasha is committed to its diverse population. Our Non-English speaking population and those with disabilities are invited to contact the Menasha City Clerk at 967-3603 24-hours in advance of the meeting for the City to arrange special accommodations."
Date: October 10, 2018

To: Menasha Utilities Commission
    Menasha City Council

From: Melanie Krause, General Manager
      Adam Smith, Water Utility Manager

RE: Lead Service Line (LSL) Program

Menasha Utilities is concerned about our customer’s health and exposure to lead and feel it is important to address the lead services in our system. We have taken steps the past several years to help bring an ordinance forward and make a program available to our customers and in a manner that minimizes a rate impact to all our customers. In setting a program moving forward we need to determine how best to address the health concern and balance the financial impacts to all parties involved.

Given our current funding source will be depleted at year end the Utility came before the Board of Public Works in May requesting a change to the ordinance to allow the Water Utility the ability to offer a financial assistance program (this could be a loan, grant or combination). Without an ordinance change and approval of a program from the Public Service Commission the Water Utility has no ability to offer any kind of Lead Service Replacement Program. This ordinance change was not approved, and the Board directed City and Utility staff to continue to work on a program and bring information back to the Council.

At the City Council meeting on October 1 Resolution R-25-18 was presented by the City. In reviewing this resolution and having preliminary discussions with the Public Service Commission (PSC) there were some concerns raised if this program would meet the statutory requirements. Now these are just concerns a determination would be made by their legal and ultimately the PSC Commissioners once an application is filed. The concerns that were discussed:

1. The program has a percentage and a cap and when we met with the PSC they stated concern with the statute since it reads: If the financial assistance is a percentage of the total cost than the percentage is the same for each owner in a customer class. If the cap is ever exceeded than all customers in the residential class would not be paying the same percentage of the costs.

2. The only approval of a lead service program by the PSC is for Kenosha Utility. In their approved program they have a percentage and a cap. So, I specifically asked given our original discussion how did this meet the requirements. They stated that the entire program being offered to
Kenosha’s customers treated each rate class equally. The rate classes for a Utility are residential, commercial and industrial, so this statement would apply to all residential customers. Menasha cannot state the program is treating everyone equally because a portion only applies to owner occupied. The question the PSC asked was if this is a health concern why we would treat our customers differently.

These concerns are important because a requirement of filing an application with Public Service Commission is that we need to provide a description of the entire lead service program and the funding sources. They will then decide if it meets the statutory requirements including if all customers in the same rate class are being treated equally.

The Utility did revisit the lead service program and evaluated various options including a revolving loan program, maintaining the current program (95% funded), the City proposal and then 4 additional programs to show financial impacts for all parties. We showed what the full lead service costs are over 10 years from the main to the house as well as the portion as it relates to the customer side from the curb stop to the house. We assumed inflation of 2% on costs and that 30% of the replacements would be done with the mains.

The options listed are in order of lowest cost to the Utility, please reference the Lead Service Program schedule for the details:

1. MU Revolving Loan Program – All residential properties included in the program with a $200 down payment by the customer and the balance eligible for a MU loan over 5 years at 0% interest. Our labor costs are included in rates so would not charge an additional fee for this.
2. Modify the City Resolution Proposal – Make all funding the same for all customers, Utility contribution 25%, City contribution 50%, balance no interest MU loan
3. Modify the City Resolution Proposal – Make all funding the same for all customers, Utility contribution 25%, City contribution 25%, balance no interest MU loan
4. Modify the City Resolution Proposal – Make all funding the same for all customers, Utility contribution 33%, City contribution 33%, balance no interest City loan
5. Modify the City Resolution Proposal – Make all funding the same for all customers, Utility portion 33%, City portion 33%, balance no interest MU loan
6. City Resolution – as proposed at Council, Utility portion 33%, City portion 33% owner occupied, balance MU loan
7. Maintain Current Program of 95% with Cap of $2,500 - Utility contribution $1,250, City up to 95% less the Utility portion, balance by customer.
Explanation of the Lead Service Program schedule provided:

Full Lead Service Replacement Program: This contains the costs for MU/City/Customer for the full replacement (main to house) and it demonstrates the full impact to all parties involved.

Customer Side Only Costs: This looks at just the cost of the private lead service replacement from the curb stop to the home. In both sections the numbers reflect the program costs in total for the 10 years.

Average Annual Amount to be Budgeted: We looked at what MU and the City would have to budget on average since on a cash flow basis we would have to fund the loan program upfront with costs recovered over 15 years.

Average Customer Cost: This is the amount the property owner would have to pay on average for the private lead service replacement.

Annual Increase to the Average Homeowner: This reflects what all customers in Menasha would have to pay on an annual basis to support the program. If the Water Utility offers a grant program these costs would be funded from operations and will be allocated to only the residential class in a future rate case since they will be booked as an expense of the Utility and that impact ranges from 0%-2.79%. This is noted in the “% Water Inc” column. The dollars in the Mu and City Column quantify the estimated annual cost impacts. The City numbers were provided based on $10,000 raising $.01 on the tax levy.
**LEAD SERVICE PROGRAM**

Assumptions: 438 Customer Lead Services and 303 Utility Lead Services to be replaced over 10 years (80% verified)

Inflation was estimated at 2% for replacement and 30% of the replacements will be done with the main

<table>
<thead>
<tr>
<th>Full Lead Service Replacement Costs</th>
<th>MU</th>
<th>City</th>
<th>Customer</th>
<th>Total Cost</th>
<th>MU</th>
<th>City</th>
<th>Customer</th>
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<tbody>
<tr>
<td>MU Revolving Loan ($200 Down)</td>
<td>745,181</td>
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<td>1,308,036</td>
<td>2,053,217</td>
<td>36%</td>
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<td>All customers, 25% MU/50% City/MU Loan</td>
<td>1,071,656</td>
<td>652,951</td>
<td>328,610</td>
<td>2,053,217</td>
<td>52%</td>
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<td>All customers, 25% MU/25% City/MU Loan</td>
<td>1,071,656</td>
<td>328,610</td>
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<td>52%</td>
<td>16%</td>
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<tr>
<td>All customers, 33% MU/33% City/City Loan</td>
<td>1,180,481</td>
<td>435,301</td>
<td>437,435</td>
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<td>57%</td>
<td>21%</td>
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<td>435,301</td>
<td>437,435</td>
<td>2,053,217</td>
<td>57%</td>
<td>21%</td>
<td>21%</td>
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<td>City Resolution 33% MU, 33% City Owner, MU Loan</td>
<td>1,180,481</td>
<td>262,464</td>
<td>610,271</td>
<td>2,053,217</td>
<td>57%</td>
<td>13%</td>
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<td>1,292,681</td>
<td>544,090</td>
<td>132,152</td>
<td>1,968,923</td>
<td>66%</td>
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<th>MU</th>
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<th>Total Cost</th>
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<th>Customer</th>
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<td>All customers, 25% MU/25% City/MU Loan</td>
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<td>City Resolution 33% MU, 33% City Owner, MU Loan</td>
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<tr>
<th>Average Annual Amount to be Budgeted</th>
<th>MU</th>
<th>City</th>
<th>Average Customer Cost for Replacement</th>
<th>Customer</th>
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<td>63,430</td>
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<td>54,409</td>
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<tr>
<th>Annual Increase to Average Homeowner</th>
<th>% Water Inc</th>
<th>MU</th>
<th>City</th>
<th>Total</th>
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<td>-</td>
<td>-</td>
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<td>9.13</td>
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<td>All customers, 33% MU/33% City/City Loan</td>
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<td>2.79%</td>
<td>15.34</td>
<td>6.48</td>
<td>21.82</td>
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RESOLUTION R-25-18

A JOINT RESOLUTION WITH WATER & LIGHT COMMISSION REGARDING LEAD AND GALVANIZED WATER SERVICE LATERAL REPLACEMENT PARTNERSHIP

Introduced by Alderman Nichols.

WHEREAS, in 1905 the City of Menasha established a Utility to provide water, and later electricity, to the community, and in 1930 the Common Council took action to establish a Water and Light Commission by charter ordinance, which would manage the affairs of the public utility. The Common Council appointed the first commissioners in 1931, and;

WHEREAS the Utility and City have been strong partners for the community operating in the public interest providing safe drinking water as well as water for industry, and;

WHEREAS in 2017 the Wisconsin Department of Natural Resources issued a notice that lead levels at test sites in the City exceeded Lead Action Levels, requiring that the Menasha Utility replace 7% of its known lead and galvanized water service laterals in the service area each year, take other actions to reduce lead exposure, and educate people in the community.

WHEREAS, Experts at the Environmental Protection Agency and Centers for Disease Control and Prevention agree there is no known safe level of lead in a child’s blood, and;

WHEREAS, even low blood lead levels have been shown to affect IQ, ability to pay attention, and academic achievement, and;

WHEREAS, effects of lead exposure cannot be corrected, and;

WHEREAS, in 2017 the State, City, and Utility partnered to reduce lead exposure through the water system, and;

WHEREAS, in 2017 the Utility initiated a door to door survey to identify lead or galvanized water service laterals in homes estimating that there were over 600 homes with lead or galvanized water service laterals within the system, and;

WHEREAS, in 2017 and 2018 the Utility applied for and received two safe drinking water grants to assist replacement of privately owned lead and galvanized water service laterals in an amount of $500,000, and;

WHEREAS, in 2018 the City enacted an ordinance, (Municipal Code Chapter 2 Section 9-2-18), requiring replacement of privately owned lead and galvanized water service laterals at the same time as the Utility replaces the street main, recognizing that partial lateral replacement increases lead exposure in the home, and;


WHEREAS, in 2017 the Utility created a program to cover 50% of the cost of lead and galvanized water service lateral replacement, which was later changed to 95% citing lack of use of the program.

WHEREAS, the Menasha Health Department created a program, in partnership with Utilities, to source low cost filters for tap water and provide them to residents at cost upon request, and;

WHEREAS, the City has offered to cover the cost of labor to repair street excavations resulting from replacements of lead and galvanized water service laterals to reduce costs to the homeowner and utility, and;

WHEREAS, approximately 171 laterals have been replaced through the grant program.

WHEREAS, The Menasha Utilities Safe Drinking Water grant program and in-kind contributions from the City have successfully made lead or galvanized water service lateral replacement affordable for home owners, and;

WHEREAS, grant funding is expected to run out as of the end of 2018, and;

WHEREAS, there are still approximately 437 private lead and galvanized water service laterals remaining in the system (approx. 100 have had the utility owned portion replaced), and;

WHEREAS, the state legislature had made additional tools available to municipalities attempting to combat the issue through State Statute 196.372, and;

WHEREAS, the City of Kenosha is the first to use the tools in State Statute 196.372 to create a program assisting its residents in the replacement of lead or galvanized water service lateral replacement, and;

WHEREAS, the previous partnership has been successful, and;

WHEREAS, the problem has not yet been solved, and;

THEREFORE, be it resolved that the Common Council of the City of Menasha recommends to the Menasha Utility Commission that partnership continue with the goal of completing the replacement of all lead or galvanized water service laterals in the City of Menasha within 10 years, and;

WHEREAS, research shows that for every dollar spent on controlling lead hazards, $17–$221 is returned in health benefits, increased IQ, higher lifetime earnings, tax revenue, reduced spending on special education, and reduced criminal activity, and;  

WHEREAS, the most important step all of us can take is to prevent lead exposure before it occurs, and;

WHEREAS, EPA estimates that 20% of human exposure to lead may come from drinking water, and;


BE IT FURTHER RESOLVED, that the Common Council recommends that the Utility and City partner with property owners to create a program where:

- The City contributes 1/3 the cost of private lead and galvanized water service lateral replacement through a grant up to $1,000 per owner occupied residential property;
- The Utility contributes 1/3 the cost of private lead and galvanized water service lateral replacement though a grant up to $1,000 per residential property;
- The property owner contribute the remaining 1/3 the cost of private lead or galvanized water service lateral replacement with the Utility providing a 5-year low interest loan payable monthly if requested;
- That any property tested exceeding the Lead Action Level is required to replace the lateral;
- That the City continue to provide labor to reduce costs for street repairs;
- That the Health Department continue to provide low cost filters and technical assistance;
- That spot lateral replacement is prioritized to investment properties with children; and
- That additional consideration is given for requests for replacement in private homes with children.

And complete the necessary ordinance or program changes to implement such a program

Passed and approved this ____ day of __________, 2018.

| Recommended by: | _________________ |
| Motion/Second: | _________________ |
| Vote: | _________________ |
| Pass/Fail: | _________________ |
| Requires: | Majority Vote |
| | 2/3 Vote |

______________________________
Donald Merkes, Mayor
WATER & LIGHT COMMISSION

______________________________
Mark Allwardt, President
ATTEST:

______________________________
Deborah A. Galeazzi, City Clerk

AN ORDINANCE AMENDING TITLE 9, CHAPTER 2 OF THE CODE OF ORDINANCES
(Lead and Galvanized Water Service Laterals)

INTRODUCED BY ____________________

The Common Council of the City of Menasha does hereby ordain as follows:

SECTION 1: Amend the Code of Ordinances of the City of Menasha, Wisconsin by creating Title 9, Chapter 2, SEC 9-2-18(d) as follows:

Title 9—Public Utilities

CHAPTER 2

Water Utility Regulations

SEC. 9-2-18 LEAD & GALVANIZED WATER SERVICE REPLACEMENT PROGRAM

(d) Utility Financial Assistance.
   (1) The Utility may provide financial assistance to the owner of the property to which water utility service is provided for the purpose of assisting the owner in replacing customer-side water service lines containing lead. The financial assistance must satisfy all the following conditions:
   A. Any loan provided may not be forgiven by the Utility or the City;
   B. Grants that are provided by the Utility are limited to no more than one-half of the total cost to the owner of replacing the lead service;
   C. The amount of financial assistance must be the same for each owner in a customer class, be it a fixed amount or a percentage of the replacement cost; and
   D. The financial assistance program must be approved by the Public Service Commission of Wisconsin.

SECTION 2: This amending Ordinance shall take effect upon passage and publication as provided by law.
Passed and approved this ___ day of ___________, 2018.

______________________________
Recommended by:

______________________________
Motion/Second:

______________________________
Vote:

______________________________
Pass/Fail: __ Majority Vote
          __ 2/3 Vote

______________________________
Donald Merkes, Mayor

ATTEST:

______________________________
Deborah A. Galeazzi, City Clerk
ORDINANCE O-20-18

AN ORDINANCE AMENDING TITLE 9, CHAPTER 2 OF THE CODE OF ORDINANCES
(Lead & Galvanized Water Service Replacement Program)

Introduced by Mayor Merkes

The Common Council of the City of Menasha does ordain as follows:

SECTION 1: Amend the Code of Ordinances of the City of Menasha, Wisconsin Title 9, Chapter 2, SEC. 18 (b) as follows:

Title 9 – Public Utilities

CHAPTER 2

Water Utility Regulations

SEC. 9-2-18 LEAD & GALVANIZED WATER SERVICE REPLACEMENT PROGRAM.

(b) Owner to Replace Lead and Galvanized Service. Existing lead and galvanized water service laterals connected to the Utility shall be replaced with water service laterals made of suitable material and at the owner’s expense. Replacement shall be completed either before or in conjunction with the next Utility project in the area of the affected property. Except, any property tested by the Utility in accordance with Wisconsin Department of Natural Resources lead and copper monitoring that exceeds the lead level established by the Environmental Protection Agency’s lead and copper rule, will be required to replace the lateral in one hundred twenty (120) days.

SECTION 2: This ordinance shall become effective upon passage and publication as provided by law.

Passed and approved this day of , 2018

Recommended by: ________________________________
Motion/Second: ________________________________
Passed/Failed: ________________________________
Requires: Majority Vote

Donald Merkes, Mayor

ATTEST:

______________________________
Deborah A. Galeazzi, City Clerk