

CITY OF HAMILTON

CORPORATE SERVICES DEPARTMENT
Budgets and Finance Division
&
PUBLIC WORKS DEPARTMENT
Water and Wastewater Division

Report to: Mayor and Members Committee of the Whole	Submitted by: Peter A. Barkwell Acting General Manager Finance and Corporate Services Scott Stewart, CET General Manager Public Works
Date: September 18, 2008	Prepared by: John Savoia, ext. 7298

**SUBJECT: Lead Water Service Replacement Loan Program
FCS07087(a)/PW07121(a) (City Wide)**

RECOMMENDATION:

- a) That Council approve a Lead Water Service Replacement Loan Program for the purpose of assisting homeowners to reduce their risk of exposure to lead in tap water that could be coming from their lead water service line;
- b) That all applications made under the City's Pilot Lead Water Service Replacement Loan Program continue to be processed and eligible under the Lead Water Service Replacement Loan Program;
- c) That the Lead Water Service Replacement Loan Program be funded through long-term receivable account #18011 – Lead Program Loan, with repayments occurring, as an annual charge, for each property added to the final tax billing; and

- d) That the interest bearing loans granted under the Lead Water Service Replacement Loan Program are based on the City's ten (10) year cost to borrow and treated in a like manner as taxes over a ten (10) year period with a maximum loan of \$2,000.

Peter A. Barkwell
Acting General Manager
Finance and Corporate Services

Scott Stewart, CET
General Manager
Public Works

EXECUTIVE SUMMARY:

Report FCS07087(a)/PW07121(a) recommends the approval of a Lead Water Service Replacement Loan Program (LWSRLP), based on the current pilot project program, approved by Council in October, 2007. The purpose of the LWSRLP is to provide homeowners with the continued opportunity to access funding, through an interest bearing loan from the City, for the purpose of assisting homeowners to reduce their risk of exposure to lead in tap water that could be coming from their lead water service line. The City's goal, at this time, is to replace the City's service stub (located on City property) in conjunction with the property owner replacing the service extension (located on private property), subject to the availability of funds.

The LWSRLP enables eligible residential property owners who meet the program requirements, (refer to Appendix "A" of report FCS07087(a)/PW07121(a)), to repay the cost of lead water service replacements, in a like manner as taxes, over a ten (10) year period. Each household will be eligible for a maximum loan of \$2,000.00. The interest charged, on an annual basis, is based on the City's ten (10) year cost to borrow and the rate is maintained for the entire period of the loan. The interest rate will be reviewed annually and reset, as required, at the beginning of each calendar year, based on the City's ten (10) year cost to borrow as of December 31st of the preceding year.

Transferring the loan to the tax roll enables homeowners who wish to replace their lead water service with an option to repay the cost, over a number of years, and provides the City with a convenient method in which to collect repayment of the loan.

Staff are not recommending that the City provide any form of financial assistance with respect to plumbing replacement, other than the "Water Service Line", as the cost to administer an extended program would be prohibitive.

The LSWRLP is targeted at residential property owners, as property owners have the authority to undertake capital improvements and apply for a loan that will be transferred to the tax roll.

The Ministry of Community and Social Services has recently announced that they are annualizing funding (\$350,000 for Hamilton, including administration costs) for the Water

Filter Fund (WFF). The WFF is intended to assist low-income parents with infants and young children and pregnant women living in older neighbourhoods with the cost of water filters. Low-income households may receive an acceptable tap water filter if they meet the following eligibility requirements:

- Households with a net household income of \$20,000 or less (including those receiving OW/ODSP or fixed incomes);
- Member of household must be pregnant or have children under age 6 living in the home.

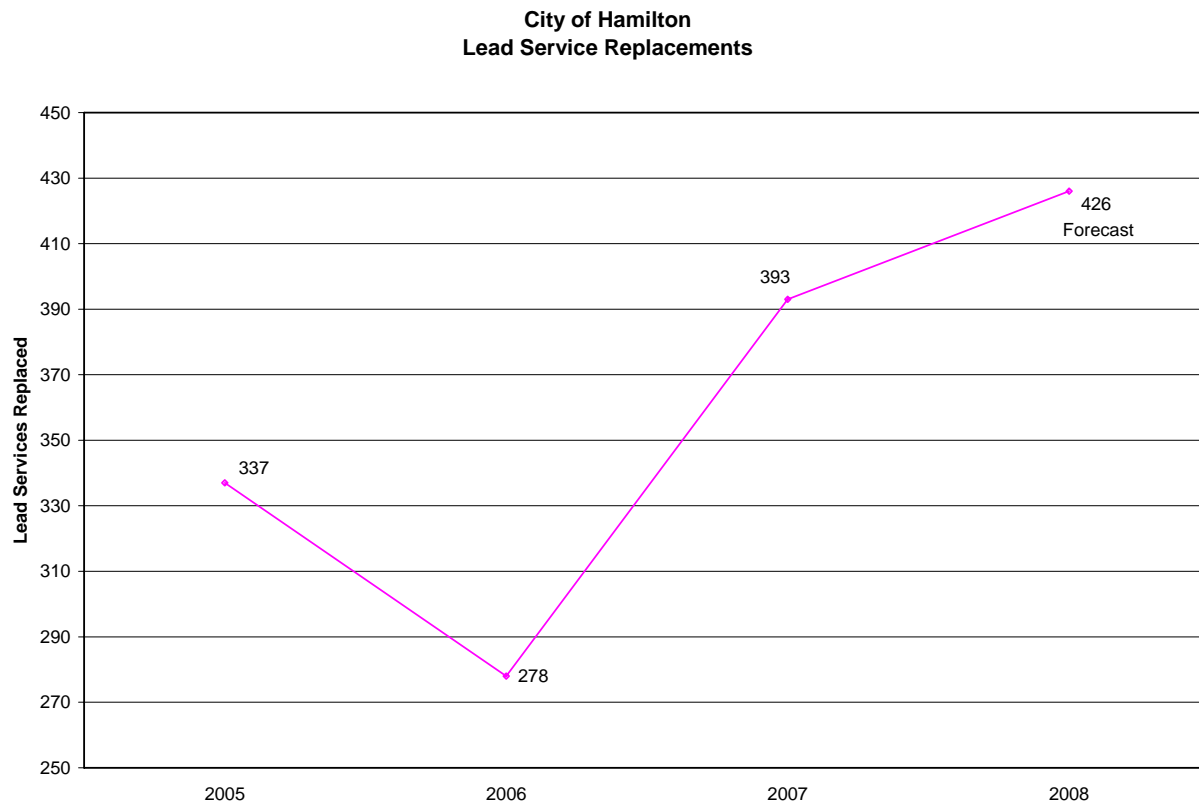
BACKGROUND:

Report FCS07087(a)/PW07121(a) is in response to section (b) of the following Motion, which was raised at the October 9, 2007, Committee of the Whole, requesting:

- (a) That a \$500,000 one-year pilot project Lead Service Extension Replacement Program for the purpose of assisting homeowners to reduce the potential risk of exposure to lead of water from water service lines be approved;
- (b) That at the end of the one-year pilot project, staff report back to Council the participation rate and associated level of funding, as well as, any further developments with respect to provincial funding programs related to lead;
- (c) That the Lead Service pilot project and associated Lead Service Extension Replacement Fund be funded from the Waterworks Capital Reserve (108015);
and
- (d) Whereas Regulation 453/07 requires municipalities to include in their financial plans the costs associated with replacing lead pipes;
And, Whereas older municipalities have the largest number of lead service lines;
Therefore, the City of Hamilton requests capital funding to replace lead service pipes from the Province of Ontario
And, that this position be forwarded to AMO for consideration
- (e) That Item H be removed from the Committee of the Whole Outstanding Business List.

ANALYSIS/RATIONALE:

Based on best available information, it is estimated that the City of Hamilton has 25,000 to 30,000 households with potential lead exposure associated with water services. While staff cannot identify the distribution of this figure by geographic boundary, it can be assumed that homes built prior to the mid-1950's may be impacted by some level of risk, assuming the service lines and plumbing have not been replaced to date.



The Table above illustrates that, over the last three (3) years, there has been an average of three hundred and thirty six (336) lead water service lines replaced annually and it is forecasted that four hundred and twenty six (426) lead water service lines will be replaced this year. In part, the increased number of lead water service line replacements, this year, may be attributed to public education campaigns the City has conducted to raise the awareness of public health issues that may be present with a lead water service line. Additionally, the financing option created by the pilot LWSRLP did anticipate that the participants of the LWSRLP would include property owners who may have previously deemed the cost of a lead water service line to be prohibitive.

The objective of the pilot loan program was to assess the need for financial assistance with respect to the replacement of lead water service lines. The pilot project was projected to potentially impact up to two hundred and fifty (250) households, with an estimated cost of replacement of the service extension replacement of \$2,000 per household.

As of September 15, 2008, one hundred and seventy seven (177) applications have been received with one hundred and seventy three (173) lead water service replacement loans having been approved since the pilot LWSRLP began in October 2007. To date, one hundred and five (105) loan payments have been processed for a total outlay of approximately \$191,000. For the majority of the private service locations, the public water service line also needed to be replaced.

The water service replacement cost estimates (excluding restoration) received, to date, from loan applicants has an average cost of approximately \$1,819. This average cost suggests that the \$2,000 loan maximum of Hamilton's LWSRLP has not created an impediment for property owners to pursue a loan amount that will actually cover the costs of replacing their lead water service line. The interest cost of the LWSRLP (currently 5.15%) may have resulted in some property owners with access to other sources of financing to replace their lead water service line without utilizing the City's loan program.

Pilot Lead Water Service Replacement Loan Programs Comparison

	Hamilton	London
Approved Loans *	105	16
Program Start	Oct-07	Sep-07
Administration Fee	\$ 0	\$ 50
Registration Fee	\$ 0	\$ 100
* As of September 15, 2008		

The following departments (Public Health Services, Public Works and Corporate Services (Budgets and Finance Division) have collaborated during 2007 and 2008 to broadly promote the issue of lead drinking water pipes that might connect a large number of older homes to the municipal drinking water distribution system and the precautions the owners and/or occupants of these residences should be taking to diminish the risk of elevated lead concentrations in their tap water.

The Lead Awareness Campaign communication plan included:

- Communication to High Risk Groups – an information package is available to pregnant women through Public Health Services Prenatal programs. Information packages were distributed to all day-care and elementary school children within the City.
- Communication to General Population - an information package was mailed out to properties in specific postal codes where lead service lines were identified as located.
- Information communicated by radio sound bites and newspaper advertisements in June 2008.
- Information posters on buses and bus shelters with focus in areas identified with lead service lines.
- Information posters in social areas within areas identified with lead service lines (churches, grocery stores, etc).
- Information package available in Municipal Service Centres, Councillor Offices, Public Library and Community Centre locations.

- Information packages available at various Water and Wastewater Public Information Sessions.

One of the main precautions or interventions is replacing the lead water service pipe. Providing affordable access to funds to replace lead water service pipes would support affected Hamilton residents who want to pursue replacing their lead water service pipe.

An additional factor impacting LWSRLP uptake may have been that some property owners, with affordability constraints, regarding financing their water service line replacement will seek to remedy lead concentrations in their home water supply by installing on-tap lead removal filters at a lower cost.

The Ministry of Community and Social Services recently announced that they are annualizing funding (\$350,000 for Hamilton including administration costs) for the Water Filter Fund (WFF). The WFF is intended to assist low-income parents with infants and young children and pregnant women living in older neighbourhoods with the cost of water filters. Low-income households may receive an acceptable tap water filter if they meet the following eligibility requirements:

- Households with a net household income of \$20,000 or less (including those receiving OW/ODSP or fixed incomes)
- Member of household must be pregnant or have children under age 6 living in the home

Overall, it appears that the guidelines and parameters of the LWSRLP have not impeded the program's uptake and, hence, it is recommended to essentially maintain the program guidelines from the pilot program for the ongoing LWSRLP.

ALTERNATIVES FOR CONSIDERATION:

1. Discontinue LWSRLP – based on the experience of the pilot program, to some extent, the availability of the LWSRLP has enhanced the affordability for some property owners to replace their lead water service lines and, as such, has likely prompted an increase in lead water service line replacements. This alternative is not recommended.

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Financial: The goal of the LWSRLP is to provide financial assistance to property owners, through an interest-bearing loan, repayable to the City over a period of up to ten (10) years. The interest rate charged is based on the City's ten (10) year cost to borrow and will be reviewed annually and reset each January as required with the rate held constant for the term of each loan. Assuming no significant future changes in the LWSRLP guidelines, it is expected that if the number of loans remains at the approximate level of one hundred (100) per year, that beginning in approximately year

ten (10) of the program, that the program will be essentially self-financing i.e., loan repayments + loan interest = loan payouts within the year.

Staffing: The workload associated with the LSWRLP will be contained within the existing staff complement for the Water and Wastewater Division.

Legal: The pilot program had considered that, upon the issuance of the loan, that a lien would have had to be registered against the property and that an associated registration charge would have been required. However, as the loan payments are treated, in a like manner as property taxes, no liens have been registered against properties who have received loans under the LSWRLP.

POLICIES AFFECTING PROPOSAL:

N/A.

RELEVANT CONSULTATION:

Public Works Department – Water and Wastewater Division
Public Health Services

CITY STRATEGIC COMMITMENT:

By evaluating the “**Triple Bottom Line**”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. **Yes** **No**
Shelter and care becomes accessible to all Hamiltonians.

Environmental Well-Being is enhanced. **Yes** **No**
Human health and safety are protected.

Economic Well-Being is enhanced. **Yes** **No**

Does the option you are recommending create value across all three bottom lines?
 Yes **No**

Do the options you are recommending make Hamilton a City of choice for high performance public servants?
 Yes **No**



Hamilton

Lead Water Service Replacement Loan Program Guidelines

Purpose

Some homes in Hamilton, built before the mid-1950s, have lead levels in their water that are higher than Provincial Standards. Many of these homes have lead water service pipes running from the City's water main in the street into the home. The City's goal, at this time, is to replace the City's public service (located on City property) in conjunction with the property owner replacing the private service (located on private property), subject to availability of funds. The property owner may be eligible for a loan to replace the owner's portion of the water service pipe.

Definitions

"*City Engineer*" means the General Manager of Public Works or designate;

"*Contractor*" means the person hired by the owner to conduct the work;

"*dwelling*" means a building containing one to three dwelling units;

"*dwelling unit*" has the same meaning as contained in the City's Zoning By-law;

"*owner*" means an owner in fee simple under the *Land Titles Act*, R.S.O. 1990, c. L.5;

"*property*" means a separate parcel of land which has been assigned a property identifier under section 141 of the *Land Titles Act*, R.S.O. 1990, c. L.5;

"*service extension*" means the portion of a water service pipe located on private property from the property line to the meter location, or for a fire service to the inside of the exterior wall of a structure, ie. an extension of a service stub;

"*service stub*" means the portion of a water service pipe located on City property from a main to the property line which will always include one control valve;

"*water service pipe*" means the pipe and fittings that convey potable water from a connection on a main or private main to the meter location, or, for a fire service, to the inside of the exterior wall of a structure.

Funding

Loan commitments will be provided subject to funding availability as determined by Council at its' sole discretion from time to time.

Eligible Work

The only work that is eligible for this Program is the replacement of private services by the owner that:

- are substantially composed of lead;

Eligibility for Loan

The applicant(s) for the loan must meet the following criteria in order to qualify for the Program:

- must be the owner(s) of the property;
- all owners of the property must apply for the loan;
- complete the Job Estimate Form to accompany application. The Job Estimate Form details what work is to be done, and separates out costs for each portion of work (i.e. separate line item prices for private water service replacement, surface restoration, internal plumbing modifications up to the water meter, etc.);
- work performed by contractor must be licensed with license number provided on Job Estimate Form;
- all property taxes must be current at the time of application and at the time of loan payment;
- the owner(s) must complete and sign the Commitment Letter;
- the owner(s) must meet all conditions of this Program.



Lead Water Service Replacement Loan Program Guidelines

Approval of all loan applications is also subject to availability of funding at any given time, as determined by Council.

This Program is available for residential property owners only, thereby excluding industrial, institutional or commercial enterprises.

Loan Details

Loans may be available to cover all applicable estimated costs (as approved and determined by the General Manager) of replacing the owner's private service (located on private property, from the water meter to the property line). Loans will not be available to cover any other associated costs (e.g. it will not cover the costs of relocating internal plumbing, repaving of an entire driveway, restoration of landscaped yards, or any other such costs that are deemed by the General Manager to be unnecessary for the replacement of the owner's private service).

The loan, if approved, will only be paid to the owner upon receipt of invoices for completed work and inspection of the completed work by City staff under the water service replacement permit.

The amount of each loan will not exceed \$2,000.

The loan amount, plus interest, will be transferred to the owner's tax roll, as a special charge, up to a ten (10) year period. The yearly loan amount plus applicable interest will be repayable on the final tax instalment due dates and calculated, in a like manner, as Local Improvement Charges are calculated.

Loan approvals are subject to the availability of funding, at any given time, as determined by Council. Loan applications will be processed in chronological order based on the date of receipt of applications.

Loan approvals will be valid for twelve (12) months and will expire if the work is not completed within that time period (unless extended at the General Manager's discretion).

Security

The loan will be added to the owner's tax roll. Loans will be noted on the next tax roll and will show on a Treasurer's Certificate as a special charge.

Repayment of the Loan

Repayments of the loan, plus interest, will be made through taxes as set out in the Commitment Letter signed by the owner(s). Full repayment (including interest) can be made at any time with no penalty to the owner. At the discretion of the City, the loan may be transferable to a new owner provided that the new owner agrees, in writing, to the terms and conditions of the loan. In the event of default in loan repayment over thirty (30) days, or in the event of sale of the property, the outstanding balance (including principal and interest) may be immediately payable. A further penalty of 15% per annum will be applied against any unpaid balance on taxes applied at 1.25% per month applied the first day past due.

Application Procedure

1. The applicant owner(s) will be required to complete an application form provided by the Public Works Department (Water and Wastewater). Every person who is registered, on title, as an owner of the property is required to sign the application.



Hamilton

Lead Water Service Replacement Loan Program Guidelines

In addition to the completed application form the applicant owner(s) must provide:

- complete Job Estimate Form which details what work is to be done and separates out costs for each portion of work (i.e. separate line item prices for private water service replacement, surface restoration, internal plumbing modifications up to the water meter, etc.). Only prices for private service replacement are eligible for the loan;
- such other further information or documentation as may be required by the General Manager;
- owner must have City confirm that the private service material is lead.

Any work that is commenced or completed, prior to the loan application approval, will be ineligible under this Program (unless waived at the General Manager's discretion).

2. City reviews application and supporting documentation and decides whether to approve the loan amount and determines the loan amount. City advises applicant, in writing, of its' decision and provides Commitment Letter for owner to complete.
3. The Owner(s) will complete and sign the Commitment Letter, forwarding original copy to Finance and Administration – Water and Wastewater Division, 55 John Street North, Hamilton, ON, L8R 3M8.
4. Owner or Contractor obtains any necessary permits, including a water service replacement permit from the City's Water and Wastewater Division (330 Wentworth Street North, Hamilton, 905-546-4426) prior to commencement of work. Failure to obtain a water service replacement permit, prior to commencement of work and having related inspection completed, will result in cancellation of any approved loan amounts.
5. The Owner or Contractor must co-ordinate work with the City well in advance. The Owner or Contractor is responsible to obtain all utility locates for the work for both private and City property (where necessary).
6. The Owner or Contractor must arrange for an inspection by the City with respect to the water service replacement permit. Water service replacement permits that have not had an inspection by the City will result in cancellation of any approved loan amounts.
7. Within twelve months of receiving loan approval, the owner(s) must submit to the City, the final invoice from the Contractor setting out the amount due for the work and/or invoices for materials and equipment related to the private service replacement performed by the Owner. Any owner submitting an invoice more than twelve (12) months after the loan approval will be ineligible for payment of the loan. The City will not provide a loan for an amount greater than the approximate loan amount set out in paragraph 2 above, even where the final invoice is greater than the approximate loan amount.
8. The City may advance either the invoice amount submitted by the Contractor or the amount of the approximate loan amount as set out in paragraph 2 above, whichever is less, to the applicant owner(s).

Information to Accompany Application

- complete application form signed by all owners;
- complete Job Estimate Form which details what work is to be done and separates out costs for each portion of work (i.e. separate line item prices for private water service replacement, driveway restoration, front yard restoration, internal plumbing modifications up to the water meter, etc.).



Lead Water Service Replacement Loan Program Guidelines

- Only prices for private service replacement are eligible for the loan;
• such other further information or documentation as may be required by the General Manager.

Not Retroactive

The Lead Water Service Replacement Loan Program will not apply to work commenced prior to October 10, 2007.

Discontinuation of Program

The terms of the Program are subject to change. Council may periodically review the Program Guidelines to determine if the Program should continue, be modified or cease to issue any new loans. The City may discontinue the Program at any time.

City Not Liable

In order to qualify for a loan, the owner agrees that the City shall not be liable for any damages to the owner's property as a result of any lead private water service replacement.