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## Property Owner Payment Deferral Options for Mandatory Lead Service Line Replacements

### Recommendation

That the Standing Policy Committee on Environment, Utilities and Corporate Services recommend to City Council:

1. That City Council approve adding three-year deferral and five-year deferral options for mandatory Lead Service Line replacements to the existing payment options with a tax deferral program similar to *The Low-Income Seniors Property Tax Deferral Bylaw, 2012*.
2. That City Council instruct the Solicitor's Office to prepare a new bylaw for this Lead Service Line replacement tax deferral program.

### Topic and Purpose

The purpose of this report is to obtain City Council's approval to alter the current payment options available to homeowners who must undergo mandatory Lead Service Line (LSL) replacements through City programs in an effort to make the costs more affordable for the homeowners.

### Report Highlights

1. The City is responsible for service connections from the main line to the property line; and homeowners are responsible for the portion from the property line to the building. In 2010, the City made it mandatory to fully replace failed/disturbed lead service connections.
2. A cost-sharing program is offered to homeowners who qualify; the City pays 60% of the replacement costs, and the homeowner pays 40%, with a cap on the homeowner's costs.
3. In May 2016, City Council approved the accelerated replacement of LSLs; therefore, the remaining 4900 LSLs will be replaced by the end of 2026.
4. Federal Clean Water & Wastewater Fund (CWWF) money is being used to replace approximately 900 LSLs as part of Capital Project work in 2017.
5. Administration recently hosted two Information Sessions for the CWWF projects. Feedback from residents who are to undergo mandatory LSL replacement showed a great desire for change in the payment options.

### Strategic Goals

The information presented in this report support the Strategic Goals of Quality of Life and Asset and Financial Sustainability. Lead service connections have been identified as potential health risks; therefore, the full replacement of lead connections is a strategy to reduce this risk and improves quality of life by virtually eliminating the need for affected property owners to take daily action to reduce their exposure to lead in their drinking water. Revising the payment options will help to ensure failing infrastructure

and service connections made of materials no longer in compliance with the specifications are being replaced in a cost-effective manner to both the homeowner and the City.

### **Background**

The Water and Sewer Service Connection Rehabilitation on Private Property - Disturbance of Lead Water Service Connections report was adopted by City Council, at its meeting held on April 12, 2010.

*The Low-Income Seniors Property Tax Deferral Bylaw, 2012* was approved and came into effect at the April 2012 Council Meeting. This bylaw allows low-income seniors to have some or all of their property taxes deferred with an annual application to Council.

A report recommending an accelerated approach to LSL replacement was received as information by the Standing Policy Committee on Environment, Utilities and Corporate Services on May 9, 2016, and budget considerations were approved during the 2017 Budget deliberations.

On June 27, 2016, a report recommending the use of CWWF money to accelerate LSL replacements in addition to water and sewer main replacement was adopted. In addition, at the June 2016 Council meeting Bylaw 8880, *The Private Sewer and Water Service Connection Bylaw, 2010* was updated to reflect the current LSL replacement practices.

### **Report**

The City has mandated that the full LSL must be replaced when it leaks or becomes disturbed, as failure to do so can increase lead levels in the water inside the affected home. In an effort to make this program more palatable and affordable for homeowners who are required to undergo this work, the homeowner cost has been capped at 40% of the contract cost of the connection replacement (based on the City's annual LSL replacement contract). There have been three payment options made available to homeowners:

1. Pay the whole amount directly to the contractor who does the work;
2. The City pays the Contractor and adds the amount on to the following year's property taxes, interest free; and
3. Homeowners who fall below the Low Income Cut-Off (LICO) mark as set out by Statistics Canada qualify for a 10-year payment deferral of the LSL replacement amount that has been added to their property taxes, which is not interest free. The interest rate for this option is currently set by Corporate Revenue.

The current payment contract with these options is shown in Attachment 1 - Current Selection of Option Contract Package.

Starting in 2017, the City will be implementing an accelerated approach to replacing the remaining LSL inventory. This means that all remaining 4900 LSLs will be replaced in

the next 10 years and that the LSL replacement work will now be coordinated with water main replacement work. On top of the accelerated approach, the CWWF grant allows for the completion of a large volume of work in 2017. In short, approximately 900 LSLs will be replaced in 2017 using a more neighbourhood-based approach than in previous years. The distribution of the remaining LSL inventory is shown in Attachment 2 - 2016 Lead Service Line Inventory.

The recommendation is that City Council approve adding the following payment options to the existing payment options:

1. The City pays the Contractor and adds the amount on to the following year's property taxes. This amount is then deferred and repaid by the homeowner over a three-year period; and
2. The City pays the Contractor and adds the amount on to the following year's property taxes. This amount is then deferred and repaid by the homeowner over a five-year period.

These two payment options would allow property owners to repay the City over either a three-year period or a five-year period by having a decreasing portion of the original amount deferred each year until the amount is paid off and the lien discharged. The property owner would not need to meet the LICO criteria to qualify for these options. There would be an administration fee charged for each option, one fee for the three-year option and one fee for the five-year option, in order to recover the City's administrative costs related to processing of the payment and registering the amount as a tax lien on the property. These administration fees would be calculated and updated by Corporate Revenue. The property owner would make a one-time deferral application for the time period of their choice when they sign the payment option contract and would not need to make an annual deferral application. If the property is sold, the property owner dies, or the property owner defaults on the payments then the remaining balance of the amount would become due and owing, similar to the structure of *The Low-Income Seniors Property Tax Deferral Bylaw, 2012*.

If the recommendation is approved and until the new bylaw can be drafted and approved, as an interim solution Administration would advise affected homeowners that additional three-year and five-year payment options are being set up and that until the new bylaw is in place they should choose the existing one-year add to taxes option. Homeowners who indicate they intend to utilize the three and five year deferral plans will be contacted by Administration once the new bylaw is approved, and will be provided with the deferral application that will be developed.

The new payment options will be offered to homeowners who had or are scheduled to have their connection replacement on or after January 1, 2017. Homeowners who had their connections replacement prior to January 1, 2017, would not be eligible for the new payment options as their replacement amounts would already be applied to their property taxes.

### **Options to the Recommendation**

One option is to keep the existing payment options. This means that over the next ten years of accelerated LSL replacement, homeowners who do not qualify for the 10-year LICO deferral would see an increase of \$260.00 per month or more added to their property taxes for one year.

### **Public and/or Stakeholder Involvement**

Administration recently hosted two Information Sessions for the CWWF projects. Feedback from residents who are to undergo mandatory LSL replacement showed a great desire for change in the payment options.

### **Communication Plan**

Information explaining the CWWF projects and associated LSL replacements has already been communicated to the affected residents. Any changes in payment options and associated costs will be provided to the homeowners whose residences are scheduled for LSL replacement in 2017.

### **Policy Implications**

It would be necessary for the City Solicitor's Office to draft a new bylaw governing this new tax deferral program for LSL replacements. Administration could selectively apply eligibility criteria from existing bylaws, with Council approval, until the new bylaw can be drafted and approved.

### **Financial Implications**

As it is difficult to determine the exact uptake in the deferral program and which options will be selected by residents, the financial implications represent an estimate based on certain assumptions.

The largest financial impact to the City would be if 100% of residents selected the 10-year deferral option. This would result in the following:

1. Approximately \$1.0M in interest revenue for the City of Saskatoon would be forgone. This interest is revenue that the City would have otherwise received on its investment earnings.
2. Due to the timing of repayments, the most the City would expect to have outstanding at any given time would be approximately \$5.0M (in year 10). These loans would be supported by the City's cash holdings, which are estimated to be sufficient to support the program.

As not all residents are expected to select the five-year deferral option, the actual Financial Impact to the City will be between \$0 and \$1.0M in interest revenue and between \$0 and \$5.0M in outstanding deferrals at any given time.

### **Environmental Implications**

Historical use of lead for manufacturing of materials such as plumbing pipes and fixtures, paints, and gasoline additives has dispersed lead extensively throughout our environment. Today, lead is understood to be a significant environmental hazard, with

long-term human health impacts linked to exposure. Governments began phasing out lead in manufacturing in the 1970s; food and drinking water are now identified as the primary source for lead exposure in Canada. Full replacement of LSLs is an effective action the City can take to mitigate long term health risks for residents.

Replacement of LSLs will also result in the consumption of energy and materials and the generation of greenhouse gas emissions. The overall impact on greenhouse gases has not been quantified at this time.

**Other Considerations/Implications**

There are no privacy, or CPTED implications or considerations.

**Due Date for Follow-up and/or Project Completion**

Administration is currently contacting homeowners to obtain the necessary agreements to perform LSL replacement work during the 2017 construction season. Changes in payment options should be implemented no later than May 1, 2017. All CWWF funded work must be complete by March 31, 2018.

**Public Notice**

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

**Attachments**

1. Current Selection of Option Contract Package
2. 2016 Lead Service Line Inventory

**Report Approval**

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