Financial Plan Checklist
for Lead Service Line Replacement

Developing a thoughtful financing plan is critical to the program's long-term success and to ensure adequate funding for full lead pipe replacement. As a mayor or city leader, you can work with your water utility to help set priorities by asking the right questions on the scope of the problem, designing an affordable program, and identifying federal, state, and municipal sources of funding – as well as making your dollars stretch further by supporting policies and practices that increase cost-efficiencies. A key initial decision is to identify your approach for providing financial assistance to support replacement of the lead pipe on private property, which will impact your overall costs. Your community may also qualify for zero-cost technical assistance, which is available to utilities serving a small or disadvantaged community.

1 Conduct Initial Assessment of Cost & Timeline

Assess overall costs

Consider the following key issues upfront to set an overall cost, scope, and timeline for the project.

☑ **Conduct an accurate inventory of lead service lines to understand the scope. Ask your utility leader:**

- How many lead service lines do we have?
- How do we know we have that many lead service lines? What information was collected through customer outreach and/or field investigation during the inventorying process? Where and how is that information stored? (EPA and many states provide templates for tracking service line composition.)
- How many pipes of unknown material do we have? What don't we know?
- What do we need to do to obtain more accurate estimates of how many service lines made of lead and unknown material do we have?

☑ **Determine total system costs. Ask your utility leader:**

- What is the projected per-replacement cost for your community, and does this include replacement of the full service line (i.e. public side and private side)?
- How does that cost compare to neighboring communities?
- What accounts for any differences in cost between your community and surrounding communities?
- What could help to bring down replacement costs? (See section III below for additional detail.)

☑ **Make key program decisions on equity and consider the financial impacts on the program. Ask your utility leader:**

Designing an affordable program:

- What are the options for covering private side replacement to ensure affordability and avoid inequities (e.g. grants, loans, rates)?

- Will funding cover the cost of full replacement or will the property owner be responsible for a portion of the cost? If the latter, what options can make this more manageable for property owners, especially low-income families (e.g. low- or zero-interest loans, full or partial reimbursements)? Is that level of assistance sufficient to ensure that low-income households are able to participate, and what are the cost implications for the utility?
- What are the tradeoffs associated with these choices and how might they affect program efficiency and associated costs? (For example, the replacement of privately-owned pipes at no direct cost to the property owner maximizes efficiencies by facilitating systematic replacement on a block-by-block basis; conversely, a program that involves a customer cost-share is likely less efficient, incurring costly contractor charges for mobilizing/demobilizing field crews, with higher administrative costs as private side lines are sporadically replaced in response to property owners who gradually agree to participate voluntarily.)

Prioritizing high-risk populations:

- What are the cost implications of program decisions to prioritize replacement for high-risk populations, such as one-off replacements at a child care facility or prioritizing a low-income neighborhood where customer cost shares may not be an option?

Project annual costs

Work with your water utility to project annual costs and resources in your replacement plan.

☑ **Capital costs:** Ensure your water utility leader considers the cost of the following:

- Conducting the service line inventory (e.g. verification, excavation, predictive modeling)
- Permitting fees (unless waived)
- Engineering services (e.g. construction management, follow up inspections)
- Project monitoring software
- Replacement piping materials
- Contractor payments for lead service line replacement, traffic monitoring, pavement/site restoration (note that availability of local contractors will impact competitive pricing options)
- For multi-year replacement programs, the future cost of materials, labor, and other program costs

☑ **Operating costs:** Ensure your water utility leader considers utility staff time and consultant costs, including:

- Program planning (e.g. create lead service line replacement plan)
- Community outreach/education (e.g. online lead service line map, town hall events, public messaging campaigns, help desk, grants to community groups to support outreach, multilingual translation if needed)
- Legal (e.g. questions on use of public funds to improve private property, property access, use of rate revenue and alternative cost allocations to fund private side replacement)
- Dedicated utility staff (coordinate with mayor's office, oversee consultants)
- Water filters, replacement cartridges, and their distribution (to be used by residents for six months following replacement)

☑ **Unforeseen costs**

- Contingency Fund: Be sure to identify areas of risk and set aside funds for unforeseen costs, overruns, or emergencies
- Consider the cost of potential project delays (i.e., construction inflation)

Set timetable

☑ **Identify the deadline by which all lead service lines must be replaced:**

Ask your legal counsel:

- Are there laws in our state requiring us to replace lead service lines? If so, what is the state deadline and other requirements for replacement?
- At what rate do the federal Lead and Copper Rule Improvements require our community to replace our lead service lines? (Most communities will need to replace their lines in 10 years, starting in 2027, according to the current federal regulations.)

Ask your water utility leader:

- What is a feasible start date and ramp-up period, accounting for time to secure funding, assemble bids, etc.?
- To identify an annual replacement goal, how are you considering:
- Availability of local lead service line replacement contractors
- Performance standards (e.g. minimum replacements per month) in lead service line replacement contracts

☑ **Make a public commitment to replace all lead service lines in your community by the established deadline (see Make a Public Commitment)**

2 Identify and Pursue Funding Opportunities

Evaluate resources available to finance your lead service line replacement plan, by considering the following questions and actions.

Explore funding options

☑ **Identify federal, state, and municipal funding opportunities available to your community. (Learn more about the financing options available in the Mayor's Roadmap.)**

☑ **Ask the right questions to identify which funding streams make the most sense for your community. You may need to reach out to various members of your team regarding the following:**

- What proportion of service lines in our community are made of lead?
- What are the characteristics of the neighborhoods in our community with the highest concentrations of lead service lines (e.g. demographics, socio-economic indicators)?
- Does our community, or certain sections of it, meet our state's "disadvantaged community" definition and/or qualify for state/federal low- or no-interest loans or grants?
- Do we qualify for federal infrastructure funding through State Revolving Funds (SRF) or other federal funding programs? Does our state have additional funding available beyond the SRF program?
- Have we ever conducted a water rate study to examine the current rate structure and identify potential alternatives to equitably increase rate revenue?
- Do we have an affordability program for low-income households, while implementing rates that support critical water investments?
- What is our capacity to take on debt?

Reach out to learn more about your state and federal funding options:

- Call your state Drinking Water State Revolving Fund (DWSRF) office and ask about:
  - Federal Bipartisan Infrastructure Law (BIL) grants and loans – Bipartisan Infrastructure Law Resources for Drinking Water | US EPA

    Federal BIL funding is currently authorized for a five-year period ending in FY2026, although capital grants from the state to communities will likely continue for several years. Take advantage of these funds now before they run out.
  - Loans through the regular DWSRF program – How the Drinking Water State Revolving Fund Works | US EPA
  - State appropriations (Massachusetts, Michigan, Minnesota, New York, and Ohio are examples of states that have made funding available) or bond funds
- Call the U.S. Environmental Protection Agency (EPA) and ask about:
  - Federal Water Infrastructure Finance and Innovation Act (WIFIA) loans – Water Infrastructure Finance and Innovation Act (WIFIA) | US EPA
  - WIIN Grants:
    - Small, Underserved, and Disadvantaged Communities WIIN Grant: Small, Underserved, and Disadvantaged Communities Grant Program | US EPA
    - Reducing Lead in Drinking Water WIIN Grant: Reducing Lead in Drinking Water | US EPA
    - Voluntary School and Child Care Lead Testing and Reduction Grants WIIN Grant: Voluntary School and Child Care Lead Testing and Reduction Grant Program | US EPA
- Call the U.S. Department of Housing and Urban Development or your state department of housing and ask about Community Development Block Grants. CDBG: Community Development Block Grant Programs - HUD Exchange
- Call the U.S. Department of Agriculture and ask about the Rural Development Fund Water and Waste Disposal Loan and Grant Program

Talk to your water utility leader about the following questions on water rate revenue as an option:

- What rate increase would be needed to cover replacement costs given the size of the community/ total number of lead service lines?
- If a rate increase is needed, are there options for protecting low-income residents through adoption of a water affordability program or alternative rate structures?
- If a water rate increase is implemented, could it be done in the form of a lead service line surcharge to provide more transparency to ratepayers? Will there be an upfront commitment to sunset it when lead service line replacement costs are fully paid, or would those funds be reallocated to other pressing water-related needs? (As lead service line replacement is a one-time cost, any related water surcharge can be eliminated through a sunset provision when that financial need has been addressed, including any associated debt incurred.)
- Is surplus revenue available in the water utility budget for use on a “pay-as-you-go” basis or to pay debt service on lead service line replacement projects?

☑ **Talk to your municipality, including bond counsel and/or comptroller:**

- Are there municipal bond options? Can we consider partnering with the county, which may have a higher debt rating?
- Are there any other home repair funding programs available that currently do, or could, cover lead service line replacement?
- Are there other local sources of revenue (e.g. stadium tax revenue, philanthropy, community benefits agreements, corporate donations)?

Apply for funding

☑ **Increase the chances of a favorable award by tailoring the application to the funding program's priorities and ranking criteria. You can usually find this information by going to the funding program website and by scheduling a meeting with a program representative.**

3 Adopt policies and practices that increase cost-efficiencies

☑ **Consider the following questions to help identify opportunities to increase cost efficiencies:**

- Are there opportunities to coordinate our community's broader capital planning and asset management activities to maximize administrative and construction cost-efficiencies and minimize disruptions from lead service line replacement? Can we coordinate road closures with other construction projects (e.g. water main replacements, paving)?
- Can we revise road opening moratoriums and pavement restoration policies to create an exception for lead service line replacement as well as reductions to or elimination of plumbing permit fees and code inspections?
- Can we concentrate replacement geographically (for instance, replacing the lines on a block-by-block basis, when possible)?
- How can we minimize traffic control costs, such as by limiting use of local police to highly trafficked areas and considering lower-cost alternatives (part time or off duty officers, contracted traffic control services)?
- Are there opportunities for community-based public-private partnerships (CBP3s) to speed up lead service line replacement, increase cost-efficiencies, incorporate equity and community benefits, and streamline implementation?
- Can we increase contractor capacity through apprenticeship programs and competitive pricing through tailored outreach and a predictable pipeline of work that appeals to contractors? (See Build a Robust Workforce.)
- Are there neighboring communities with lead service line replacement programs that we can partner with through cooperative purchasing agreements, joint procurement activities or equipment sharing arrangements?
- Can upfront community outreach and engagement efforts increase participation rates and reduce costs overtime?

- As we ramp up our program over time, can we increase cost efficiencies by:
  - Applying for larger federal funding packages by submitting applications for multi-year funding awards, supporting contractor ramp-up construction schedules?
  - Improving contracting by following best practices for contract language that increases efficiencies, accelerates the pace of replacement, and reduces per pipe replacement cost? Consider including terms to: ramp up contractor capacity, increase bid package sizes, and incentivize contractors to finalize projects faster through “pay for success” strategies.

See the Make a Financial Plan section of the Mayor’s Roadmap for additional information.