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MEMORANDUM

Date: February 10, 2026

To: Mayor Satya Rhodes Conway
City of Madison Common Council
City of Madison Finance Committee
City of Madison Water Utility Board

From: Pete Holmgren, P.E. – Chief Engineer, Water Utility
Krishna Kumar – General Manager, Water Utility

Subject: Approving the Public Water System Transition Agreement Between
the City of Madison and Lake Forest Water Cooperative Association

RECOMMENDATION

Staff recommend approving the Public Water System Transition Agreement Between the City of Madison and Lake Forest Water Cooperative Association.

BACKGROUND

Lake Forest Water Cooperative Association (Co-Op) was created in 1943 to own and operate a public water distribution system serving the Lake Forest neighborhood (Lake Forest), an area generally lying between Carver and Martin Streets to the west of Fish Hatchery Road and adjacent to the UW Arboretum. The Co-Op serves 102 parcels through a Community Water System consisting of two wells and two 3,000-gallon water tanks, service mains and service laterals, with some of the system dating back to 1919 and the original development of the neighborhood. Many of the mains and laterals are located on the backside of the properties, and some of the service laterals are known to contain lead. The Co-Op's members and customers are responsible for a proportionate share of the Co-Op's operating costs.

Lake Forest was attached to the City of Madison in 2022 upon the dissolution of the Town of Madison. Upon attachment of Lake Forest to the City, the City began providing municipal services to the neighborhood and is responsible for maintaining the streets as well as providing sanitary sewer service to the neighborhood. While Lake Forest is within the Water Utility's (Utility) service territory, water service continues to be provided by the Co-Op.

The Co-Op's two wells and its water distribution system need repair, and the system

would benefit from relocating the current laterals from the backside of the properties to the adjoining roads, along with the replacement of lead piping within the system. The Co-Op's Board of Directors has evaluated the long-term viability of the Co-Op and its decades-old water infrastructure and has concluded that it cannot continue to operate sustainably for much longer. This evaluation considered the Co-Op's finances, the age and deterioration of the Co-Op's water infrastructure (pipes, pumps, wells), the presence of lead in some service laterals, the absence of fire protection capacity in the neighborhood, and the strain of continuing the volunteer workforce that administers and maintains the Co-Op's services.

The Co-Op has concluded that it is not feasible for the Co-Op to secure sufficient funds through borrowing or by imposing additional charges on its members to undertake a major upgrade of the Co-Op's lines and equipment. In the absence of such an upgrade, the Co-Op cannot guarantee to continue to provide safe water to the residents of Lake Forest; and,

The users of the Co-Op's water are all City residents, and a failure of the Co-Op Water System would present an immediate public health emergency while endangering the welfare of its residents.

The City's Engineering Division has evaluated the public infrastructure within Lake Forest and has determined that it will be necessary to reconstruct the public streets within the neighborhood, as well as make stormwater and sanitary sewer improvements to better serve the area. As part of that planning, City staff and the Co-Op have been in discussions about including municipal water main improvements as part of the future municipal improvement project (Water Project), which, when installed, would allow the Co-Op's members to transition to municipal water main service and for the Co-Op to eventually wind down its operations.

The Co-Op's membership voted in favor of undertaking a transition to municipal water service and the Co-Op has requested the City to extend the Madison Water Utility's public mains into Lake Forest to supply water to the Co-Op-served properties, which the City is agreeable to do.

The Water Project will include the installation of approximately 11,000 linear feet of water main (primarily through Martin Street, Carver Street, and the streets connecting between them), 16 fire hydrants, and water service laterals from these mains to a curb stop for each property currently served by the Co-Op.

Water Service Transition. As each phase of the Water Project is completed, the Utility will inform the Co-Op and the Co-Op served properties of that completion when Project completion has occurred. The Co-Op served properties will be allowed to connect to the municipal water system once water service is available to the adjoining curb stop, even if that occurs before completion of the phase.

Co-Op Facilities. The Co-Op will retain ownership, maintenance and repair responsibilities of the Co-Op Water System until water service has been transitioned to the municipal water system. Following water service transition as outlined above, the Co-Op will abandon the existing water service laterals, currently located in backyards, and the Co-Op water infrastructure will be decommissioned, removed, and/or abandoned. The Co-

Op will be responsible for properly abandoning the Co-Op wells, consistent with WDNR and Utility requirements.

Emergency Intertie Agreement. The Water Project is anticipated to be completed by the end of 2029 at which time all properties in Lake Forest are expected to be served by the Utility within six months. However, given the extended nature of the Water Project completion period, and to account for possible failure of the Co-Op's infrastructure, the Co-Op and the Utility desire to undertake an emergency intertie agreement whereby, prior to the final transition of water service, the Utility will make municipal water available to the Co-Op, when requested by the Co-Op. This emergency intertie agreement will ensure that adequate water supply is available to the properties served by the Co-Op Water System in the event of a system failure before municipal water service can be fully implemented.

In the event of a failure of either the Co-Op's well or some other public health emergency which necessitates the Co-Op's use of municipal water, the Co-Op will coordinate with the Utility to connect its water system to the City's municipal water supply. To facilitate the connection, the Utility will temporarily loan out a 3-inch diameter wholesale water meter and install that meter at the nearest point between the water systems of the Co-Op and the Utility, which is generally understood to be along the Martin Street frontage of 2050 Fish Hatchery Road.

A copy of the Public Water System Transition Agreement Between the City of Madison and Lake Forest Water Cooperative Association reflecting the planned water supply transition from the Co-Op to the Utility is attached (Attachment B).

FISCAL IMPACTS

Water Project Costs and Funding. The Utility has estimated the preliminary cost of the Water Project to be approximately \$3.5 million. This estimate is made at the time of this Agreement and excludes the non-water infrastructure improvements. It includes the cost to install water main, hydrants, and service laterals to extend City water service to each property served by the Co-Op.

The Utility will apply for funding from the Safe Drinking Water Loan Program administered by the Wisconsin Department of Natural Resources (DNR), separately for one-third of the Project costs in each of the three Project years. This Program offers a lower borrowing rate that would otherwise be not available to the City. If such funding is not available, Utility will arrange funding through the City using General Obligation Bonds.

Special Assessments. The costs of the Water Project will be specially assessed to benefited properties. To present the most equitable distribution of costs among benefiting property owners, a combined frontage/area assessment rate (50% based on frontage and 50% based on lot area) will be established, and the benefiting properties will be specially assessed. Actual costs will be payable in up to 30 annual installments. The rest of the Lake Forest infrastructure project (roadway, sanitary sewer, storm sewer) will be separately assessed.

Emergency Intertie Fees. Per documents filed in the rate case docket 3280-WR-117, the Co-Op will be charged \$3.11 per 1,000 gallons for the volumetric charge, and a \$111.70 as monthly general service charge based on a 3-inch meter, subject to the Utility

obtaining tariff approval from the WI Public Service Commission (PSC). A signed copy of the agreement is required to submit tariff approval request to the PSC. The charges will be adjusted based on actual annual water demand. After the completion of the Project and the transition to municipal service, the 3-inch water meter will be returned to the Utility.

LEGISLATIVE PATH

1	Introduction to the Common Council	02/10/26
2	Water Board	02/25/26
3	Finance Committee	03/02/26
4	Final adoption by the Common Council	03/10/26

ATTACHMENTS

- Memo (this document)
- Attachment B - Public Water System Transition Agreement Between the City of Madison and Lake Forest Water Cooperative Association

