

ENERGY AND ENVIRONMENT COMMITTEE REPORT relative to the Sewer Connection Financial Assistance Program (SCFAP).

Recommendations for Council action:

1. APPROVE the one-year pilot project for the SCFAP as modified:
 - a. Require the Bureau of Sanitation (BOS) to review property tax status, sanitation bill status, and business tax compliance (if applicable) to determine financial eligibility for participation in the program.
 - b. Modify the sample group to only represent a mix of lateral rehabilitations and On-site Wastewater Treatment Systems (OWTS) projects instead of a sample group representing a mix of geographic locations, residential and commercial customers, and lateral rehabilitations and OWTS projects.
2. INSTRUCT the BOS to implement the pilot project for the SCFAP using existing staff resources and hiring authority provided under the BOS's 2014-15 Hiring Plan Policy and using the proposed Ordinance and Rules and Regulations for the administration of the Sewer Connection Financial Assistance Program as detailed in the October 21, 2013 Board of Public Works report, attached to the Council file.
3. REQUEST the City Attorney to review the lending aspects of the program to ensure compliance with all applicable lending requirements.
4. INSTRUCT the BOS to report back within the given timeframe to the Mayor and Council upon completing the following project milestones with said report to include, but not be limited to, goals and performance metrics, a description of the tasks performed, results of the process, feedback from participants, any challenges or issues encountered, and recommendations to improve the process:
 - a. 30 days after identifying 50 participants for the pilot project.
 - b. 60 days after completing the financial assistance application process.
 - c. 30 days after financial assistance repayment has been received or recorded.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that funding in an amount not to exceed \$1,250,000 for the pilot program will be provided from the Sewer Operation and Maintenance Fund and there will be no General Fund impact. The recommendations in the March 17, 2015 CAO report comply with the City's Financial Policies as ongoing revenues will support ongoing expenditures.

Community Impact Statement: None submitted.

(Personnel and Animal Welfare Committee waived consideration of the above matter)

Summary:

On April 15, 2015, your Committee considered an October 21, 2013 Board of Public Works and March 17, 2015 CAO reports relative to the SCFAP. According to the CAO, on October 19, 2011, Council adopted a series of recommendations to adjust the Sewer Service Charge (SSC) and other related fees that support the BOS's Clean Water Program (Council File No. 10-1947). At the same time, Council instructed the BOS to develop the SCFAP to assist homeowners to finance sewer lateral repairs and connections in an effort to reduce sewage backflows and spills and to encourage the abandonment of OWTS, also known as septic tanks.

The majority of properties within the City of Los Angeles are connected to the City's sewer system. This connection is referred to as a sewer lateral or house connection sewer and property owners are responsible for constructing, maintaining, and repairing these structures. Over time, these laterals can become damaged due to root intrusion or blockages and the cost to repair them can be costly. Cracks and breaches in damaged laterals not only contaminate the groundwater and cause sewage spills, but can also lead to groundwater infiltration into the City's sewer system, which can place a heavy burden on the capacity of the City's wastewater treatment facilities and waste valuable groundwater.

The BOS reports that it has sent letters to over 1,400 customers notifying them that there may be an issue with their sewer lateral based on closed-circuit television (CCTV) footage of the main sewer line. Properties that are not connected to the City 's sewer system use OWTS to manage their wastewater. The BOS estimates that there are approximately 9,000 OWTS properties that are within 200 feet of a main sewer line. As with sewer laterals, property owners are also responsible for operating and maintaining OWTS structures. Many of the older OWTS are at high risk for structural failure, which can lead to groundwater contamination and sewage spills. Sewage spills from broken laterals and OWTS present significant risks to the environment and public health and safety and can result in significant fines and penalties from State and Federal regulatory agencies. Therefore, it is in the best interest of the City and its ratepayers to address damaged laterals and OWTS.

The CAO has worked with the BOS and City Attorney to further streamline the SCFAP while protecting the City treasury. The also indicated that it is concerned that the amount of information required from applicants may discourage participation in the program by those who are in greatest need of the assistance. While there is a need to protect the City treasury, the BOS has proposed a method of collection that should be reliable. The CAO discussed this with the City Attorney and the BOS and subsequently, the BOS proposed to only require a review of the status of payments for property tax, invoices for Sanitation services, and the City Business Tax (if applicable) to which the CAO concurred.

The City Attorney has indicated that, consistent with Proposition 218, all current sewer rate payers must have equal access to this program, while the City takes reasonable steps to protect the City treasury. The BOS proposes using a pilot program to begin with and proposes to establish a pilot with customers representing a mix of geographic locations and customer classes as well as those requiring sewer lateral repair and OWTS projects. The CAO has discussed this proposal with the City Attorney and are concerned that focusing participation in the pilot based upon geography or customer class is inconsistent with Proposition 218. The CAO is recommending that the BOS let the pilot customer group develop organically and to give priority to those with public safety emergencies (i.e. already broken sewer lateral or damaged OWTS system). The BOS has accepted the CAO's recommendation.

After consideration and having provided an opportunity for public comment, the Committee moved to

recommend approval of the recommendations contained in the March 17, 2015 CAO report and detailed in the above recommendations. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

ENERGY AND ENVIRONMENT COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
FUENTES:	YES
BLUMENFIELD:	YES
LABONGE:	YES
HUIZAR:	ABSENT
KORETZ:	ABSENT

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4/15/15

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