

DEPARTMENT OF PUBLIC WORKS

BUREAU OF SANITATION

BOARD REPORT NO. 1

OCTOBER 13, 2021

CD: ALL

REQUEST FOR AUTHORITY TO APPROVE THE RULES AND REGULATIONS FOR
THE SEWER REPAIR FINANCIAL ASSISTANCE PROGRAM (SRFAP)

RECOMMENDATIONS

1. Approve the Rules and Regulations for the Administration of the Sewer Repair Financial Assistance Program (SRFAP).
2. Authorize the Director and General Manager of LA Sanitation and Environment (LASAN) and designees to apply the Rules and Regulations for the Administration of the SRFAP.

TRANSMITTALS

1. Adopted Sewer Repair Financial Assistance Program Ordinance.
2. Proposed Rules and Regulations for the Administration of the SRFAP.

DISCUSSION

Project Background

There are approximately 506,000 private lateral connections in the City of Los Angeles (City) sewer system, of which 86,000 have been identified as defective through the City's CCTV of the main line. The connection between the structure and the sewer main, known as a sewer lateral or house connection sewer, is the responsibility of the property owner. Over time, these laterals can become damaged due to settlement, root intrusion, or other blockages. Although the City does not own these sewer laterals, damaged laterals may impact the City's operations, and therefore, it is in the best interest for the City to facilitate ways for the property owners to address these damaged sewer laterals.

In 2011, as a part of a sewer fee rate adjustment, the City Council, with the Mayor's concurrence, authorized the use of one half of one percent (0.5%) of the approved annual sewer service charge rate adjustments for the period from April 6, 2012 to June 30, 2016 as the seed money for a Sewer Repair Financial Assistance Program (SRFAP).

The SRFAP was intended to make low-interest loans to property owners using the seed money and fund new loans from loan repayments. On May 20, 2015, City Council instructed LASAN to implement a one-year pilot project for the SRFAP for a limited number of customers (CF # 13-1488). The Council requested the City Attorney to review the lending aspects of the program to ensure compliance with all applicable lending requirements, and to report back to the Mayor and Council the results of the process, feedback from participants, any challenges or issues

encountered, and recommendations to improve the process.

Upon analyzing the documents and consulting with outside counsel, it was concluded that the SRFAP loan would be subject to federal regulations regarding consumer credit disclosure, commonly referred to as "Regulation Z" or TILA (Truth in Lending Act). This would require greater administrative support to ensure the proper disclosures are made, the required cancellation period is observed for each transaction, and that the interest rate disclosures meet Regulation Z's accuracy tolerance limits. Generally, TILA's requirements are strictly construed and, thus, even inadvertent errors can trigger liability. Therefore, LASAN recommended the program be modified from a loan to a rebate program.

On October 23, 2018, Council instructed LASAN to develop revised Rules and Regulations for the Administration of the Sewer Connection Financial Assistance Program to reflect the Rebate Program and to implement this program. On March 1, 2021, Council adopted an ordinance number 186935 adding Article 4.5 to Chapter VI of the Los Angeles Municipal Code to establish a SRFAP. (Transmittal No. 1)

Sewer Repair Financial Assistance Program

This program provides an incentive for customers to evaluate the condition of their sewer lateral and to repair or replace it if necessary. Property owners who have CCTV inspections of their sewer lateral are eligible to apply for a rebate of up to \$300, not to exceed the actual cost. Property owners who are approved for the sewer lateral repair/replacement rebate program are eligible for a rebate of up to \$1,000, not to exceed the actual cost of repairs, upon completion of the project and City inspection.

The Rebate Program will be offered on a first-come first-served basis, until funds are exhausted, with no rebate guaranteed. The cap amounts for each type of rebate allow the program to be extended to more customers. Since the rebate would be funded from the 0.5% Sewer Service Charge increase, this program will operate only for a finite time until the funds are depleted, which is projected to take more than 20 years.

The following are key points of the Rules and Regulations for the Administration of the SRFAP:

Program Participants: The program is open to property owners within the City of Los Angeles, where that property is connected to a City of Los Angeles sewer, or a property outside of the City that is connected to the City's municipal sewer system; who are paying sewer service charges for that property; and who are in good standing on their sewer service charge payments.

Sewer Repair Rebate Program: The rebate is available one-time per property, on a first-come, first-served basis, not to exceed the actual cost, and shall be limited to a maximum of \$300 for CCTV sewer lateral inspection, and limited to a maximum of \$1,000 for sewer lateral repair/replacement. Financial assistance shall be provided in the form of a rebate check made payable to the property owner(s).

Eligibility:

- For requests based on CCTV inspection:
 - a) A record search confirming that the premises are connected to a City sewer; and are

PAGE 3

- being charged or should be charged a sewer service charge, and
 - b) Proof of payment and a contractor's invoice, and
 - c) A CCTV video. CCTV inspection must be performed not more than 6 months prior to the application, and show the address of the inspection in the CCTV video.
- For requests based on rehabilitation of an existing sewer lateral:
 - a) A record search confirming that the premises are connected to a City sewer; and are being charged or should be charged a sewer service charge, and
 - b) CCTV video footage to verify that the sewer lateral is in need of rehabilitation or replacement. The CCTV inspection must be performed not more than 6 months prior to the application, and show the address of the inspection in the video, and
 - c) A copy of the final signed inspection and approved permit(s) by the Bureau of Contract Administration, the Bureau of Engineering, and/or the Department of Building and Safety as applicable

Appeal Process: Property owners who are determined not eligible for the program will be able to appeal to the Director and General Manager of LA Sanitation and Environment.

Program Review: After the implementation of the program, LASAN will evaluate and make improvements or any necessary changes to improve the program.

PROGRAM REVIEW BY DIRECTOR (PRD) APPROVAL

This program has been approved by the City Council Ordinance No. 186935 and does not require additional PRD approval.

STATUS OF FINANCING

There is no impact to the General Fund. Funding for Fiscal Year 2021-22, in the amount of \$1,200,000, is available in the Sewer Operation and Maintenance Fund No. 760, Appropriation Unit No. 50VCAC.

Funds for future fiscal years will be budgeted within the Sewer Operations and Maintenance Fund No. 760. Funds and appropriations for future fiscal years are not yet identified and existing appropriations may change based on available cash balances. Therefore, funds and appropriations will be determined by the Director and General Manager of LASAN or designee.

BUREAU OF SANITATION
BOARD REPORT NO.1
OCTOBER 13, 2021

PAGE 4

Respectfully submitted,



BARBARA ROMERO
Director and General Manager
Bureau of Sanitation

REVIEWED AND APPROVED BY:



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LISA B. MOWERY, P.E., Chief Financial Officer
Bureau of Sanitation
Date: 9/30/21

APPROVED AS TO FUND:



MIGUEL A. DE LA PEÑA, Director
Office of Accounting
760/50/50VCAC \$1,200,000
Date 9/30/2021

Questions regarding this report may be referred to:
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