



REPORT to the MAYOR and MEMBERS of the CITY COUNCIL
From the CITY MANAGER

DATE: September 10, 2024

SUBJECT: A. Resolution Authorizing Execution of an Installment Sale Agreement (No. 8723-110) with the State of California for a State Revolving Fund Loan;

B. Resolution Accepting the Funds from the State Revolving Fund Loan (No. 8723-110) and Appropriating the Expenditure in a Capital Improvement Program Project Account.

ISSUING DEPARTMENT: Public Works

SUMMARY:

Issue:

Should the City of La Mesa:

- A. Authorize execution of an installment sale agreement (No. 8723-110) with the State of California for a State Revolving Fund Loan; and
- B. Accept the funds from the State Revolving Fund Loan (No. 8723-110) and appropriate the expenditure in a Capital Improvement Program Project Account?

Recommendation:

Adopt the attached resolutions:

- A. Authorizing the execution of an installment sale agreement (No. 8723-110) with the State of California for a State Revolving Fund Loan; and

- B. Accepting the funds from the State Revolving Fund Loan (No. 8723-110) and appropriate the expenditure in a Capital Improvement Program Project Account.

Fiscal Impact:

The loan amount is up to \$7,000,000, but only the amount necessary for the design and construction will be charged to the project. The repayment of the loan will start one calendar year after the construction completion and acceptance of the construction by the City and will be for 20 years at 1.45% interest.

City's Strategic Goals:

- Invest in infrastructure to serve the needs of the community.

Climate Action Plan Reduction Strategy

- This item indirectly supports the implementation of CAP measure W-3, Pure Water Program, by reducing the inflow and infiltration to the sewer system requiring treatment.

BACKGROUND:

In December 2010, during a very heavy rain event, the sewer system across the City was inundated by stormwater inflow and infiltration resulting in sanitary sewer overflows.

In March 2011, the Regional Water Quality Control Board issued Investigative Order R9-2011-0040 directing the City to show the circumstances involved in the spills, and to provide technical reports.

In December 2012, the Regional Water Quality Control Board issued Administrative Civil Liability (ACL) R9-2012-0014 for \$948,816 based on the findings following the Investigative Order. The City was able to settle the ACL for \$413,856 and was also required to complete a Supplemental Environmental Project.

As a response, the City prioritized sewer capital projects both included in the Wastewater Master Plan, and those designed to protect the environment.

The City of La Mesa's wastewater CIP goals are to:

- Avoid sanitary sewer overflows
- Reduce financial burdens

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- Enhance the environment
- Eliminate liabilities
- Reduce the required maintenance efforts

In 2022, the City hired environmental and engineering design consultants to prepare environmental documents and design replacement and rehabilitation of sewer in the College Streets/Eucalyptus Hills neighborhood of La Mesa. The project is called: Inflow and Infiltration Mitigation Sewer Project Phase 7. The scope of work included determining the optimum alignment, system improvements, and applying for the State Revolving Fund (SRF) low interest loan.

In November 2022, the City Council approved resolution 2022-132, authorizing submitting an initial application to the State for the SRF loan. The City also updated this resolution April 23, 2024 with resolution 2024-045.

In December 2022, the City submitted the loan application to the State Board. The State Board notified the City of eligibility and placement on the funding list in 2023. The final agreement was drafted and issued in August 2024.

The Inflow and Infiltration Project Phase 7 contains a notable amount of concrete sewer pipe and slip lined pipe. Both concrete and slip lined pipe generally contribute a significant amount of inflow and infiltration due to their poor condition or restricted capacity. Additionally, concrete sewer has limited lifespan due to sewer gas corrosion. Eliminating areas of concrete sewer pipe from the system is a priority.

Sewer and manholes will be replaced/rehabilitated within roadway and easements in portions of:

- Harbinson Avenue
- Vassar Avenue
- Cornell Avenue
- Princeton Avenue
- West Point Avenue
- Stanford Avenue
- Yale Avenue
- Harvard Avenue
- Annapolis Avenue
- Pomona Avenue

The scope of the project includes replacement and rehabilitation of 10,200 feet of sewer pipe and 52 manholes. The project tentative project start date is late 2025.

In order to be able to complete a project of this magnitude, the City requires the SRF funding to augment its CIP budget. The SRF loan is a low interest 1.45% loan available to local agencies and districts from the State Water Resources Control Board to fund sewer and water projects. The loan is repaid over a fixed period of 20 years. The loan provides a means to construct projects that otherwise would not be completed due to the agencies' available funding restrictions. The City has previously taken advantage of the low interest loan program and has upgraded other portions of the sewer system over the past 20 years. This program allows the City to structure low interest debt repayment over a fixed period and incorporate the payments into the City's sewer rate structure.

The City of La Mesa has previously received six State Revolving Fund loans for Inflow and Infiltration Mitigation and trunk line projects beginning in 2004. Please see Attachment C for the SRF loans and their status.

Upon approval of the resolutions to execute the loan agreement and appropriate funds, the City will set up a Capital Improvement Program project account to proceed with the execution of the construction and construction management contracts.

DISCUSSION:

In November 2022, the City Council approved resolution 2020-132 authorizing submitting an initial application to the State for an SRF loan to fund a sewer replacement project titled Inflow and Infiltration Mitigation Sewer Project Phase 7.

The approval of this resolution would authorize the Mayor to sign the loan agreement, and continue the process of obtaining the loan funds for construction of the Inflow and Infiltration Mitigation Sewer Project Phase 7.

The cost of the project is estimated at \$7,000,000. A separate bid award will require approval by the La Mesa City Council following the advertisement period.

CONCLUSION:

Staff recommends that the City Council adopt the attached resolutions:

- A. Authorizing execution of an installment sale agreement (No. 8723-110) with the State of California for a State Revolving Fund loan;
- B. Accepting the funds from the State Revolving Fund loan (No. 8723-110) and appropriating its expenditure in a Capital Improvement Project.

Reviewed by:



Greg Humora
City Manager

Respectfully submitted by:



Michael Throne, PE
Director of Public Works

Attachments: A- Resolution- SRF Agreement
 Appendix A to Resolution A- SRF Agreement
 B- Resolution – Appropriation of Funds
 C- Project Map
 D- SRF Payment Sheet