



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

**DATE:** November 22, 2022

**SUBJECT:** RESOLUTIONS FOR APPLICATION TO THE STATE WATER RESOURCES CONTROL BOARD FOR A STATE REVOLVING FUND (SRF) LOAN FOR A SEWER INFLOW AND INFILTRATION MITIGATION PROJECT

**DESCRIPTION:**

A. RESOLUTION AUTHORIZING THE SUBMITTAL OF AN APPLICATION TO THE CALIFORNIA STATE WATER RESOURCES CONTROL BOARD FOR A STATE REVOLVING FUND LOAN FOR THE SEWER INFLOW AND INFILTRATION MITIGATION PROJECT PHASE 7 FOR AN AMOUNT NOT-TO-EXCEED \$7,000,000.

B. RESOLUTION ADOPTING A CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) CATEGORICAL EXEMPTION FOR THE SEWER INFLOW AND INFILTRATION MITIGATION PROJECT PHASE 7 AND FORMALLY ADOPTING THE PROJECT FOR PURPOSES OF STATE REVOLVING FUND SUBMITTAL TO THE CALIFORNIA STATE WATER RESOURCES CONTROL BOARD.

C. RESOLUTION PLEDGING REVENUES AND FUNDS TO REPAY THE STATE REVOLVING LOAN FOR THE SEWER INFLOW AND INFILTRATION MITIGATION PROJECT PHASE 7.

D. RESOLUTION APPROVING THE REIMBURSEMENT OF PROJECT EXPENDITURES FOR THE SEWER INFLOW AND INFILTRATION MITIGATION PROJECT PHASE 7 IN AN AMOUNT NOT-TO-EXCEED \$7,000,000.

**ISSUING DEPARTMENT:** PUBLIC WORKS

SUMMARY:

Issues:

Should the City Council approve the attached Resolutions:

- A. Authorizing the submittal of an application to the State Water Resources Control Board for the Sewer Inflow and Infiltration Mitigation Project for an amount not-to-exceed \$7,000,000; and
- B. Adopting a CEQA Categorical Exemption for the Sewer Inflow and Infiltration Mitigation Project Phase 7 and formally adopting the project for submittal to the State Water Resources Control Board; and
- C. Pledging Revenues and funds to repay the State Revolving Loan for the Sewer Inflow and Infiltration Mitigation Project Phase 7; and
- D. Approving the reimbursement of project expenditures for the Sewer Inflow and Infiltration Mitigation Project Phase 7 for an amount not-to-exceed \$7,000,000?

Recommendation:

Approve the resolutions for a State Revolving Fund loan by approving the following resolutions as required by the State Water Resources Control Board (Attachments A-D):

- A. Authorizing the submittal of an application to the State Water Resources Control Board for the Sewer Inflow and Infiltration Mitigation Project for an amount not-to-exceed \$7,000,000; and
- B. Adopting a CEQA Categorical Exemption for the Sewer Inflow and Infiltration Mitigation Project Phase 7 and formally adopting the project for submittal to the State Water Resources Control Board; and
- C. Pledging Revenues and funds to repay the State Revolving Loan for the Inflow and Infiltration Mitigation Project Phase 7; and
- D. Approving the reimbursement of project expenditures for the Inflow and Infiltration Mitigation Project Phase 7 for an amount not-to-exceed \$7,000,000.

Fiscal Impact:

Funds for the repayment of the SRF loan are anticipated to be available from future wastewater revenues. All expenditures for this loan will be made solely from wastewater funds. No General Fund monies will be used for this project.

City's Strategic Goals:

- Continue to improve high quality municipal services

Environmental Review:

This Project is categorically exempt pursuant to CEQA Section 15302(c), Replacement of Existing Facilities.

BACKGROUND:

Storm water inflow and infiltration (I&I) occurs when the sewer system deteriorates and allows for storm water and/or ground water to enter the wastewater pipes. This I&I (typically caused by pipe joint leakage) occurs during rain events when the pipe is conveying significantly more volume than its intended design. These excessive flows in the sewer system can lead to sanitary sewer overflows (SSOs) during heavy rainfall events. Eliminating inflow and infiltration will reduce the City's financial environmental liabilities and potential for regulatory fines caused by sanitary sewer overflow.

The City will also reduce its wastewater treatment and transportation costs to the City of San Diego. Consequently, the lower sewer flow puts fewer burdens on the treatment plant and any reduction of sewer flows into the regional facilities will assist with the environmental challenges associated with sewer treatment. Finally, reductions in flow and costs will also benefit La Mesa rate payers in the long run.

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

- Avoid sanitary sewer overflows;
- Reduce financial burdens;
- Enhance the environment; and
- Reduce the required maintenance efforts.

DISCUSSION:

Project Description

The Sewer 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. This project is in one of the University sewer basins in the Eucalyptus Hill/College Streets neighborhood bound by University Avenue to the south, Santa Maria Drive to the north, Harbinson Avenue to the west and Pomona Avenue to the east (Attachment E). This basin was tributary to a large SSO in 2010. The project includes 43 sewer pipe segments totaling approximately 10,200 linear feet of replacement and rehabilitation, and 52 manholes.

The City of La Mesa has previously received six State Revolving Fund (SRF) loans for sewer I&I mitigation and trunk line projects beginning in 2004 (Attachment F). The SRF loans have allowed the City to address the systemic wastewater issues that would otherwise not be addressed due to the project size, costs, and City CIP budget limitations.

The cost of the project is estimated at \$7,000,000. This includes planning, design, environmental study, surveying, construction, inspection, construction management and administration costs. Due to the magnitude of the cost being beyond the City's CIP budget, the City is proposing to apply for a new SRF loan. No City funds are allocated for this project under the approved CIP budget. It is proposed that the City should proceed in applying for SRF funding to expedite the replacement of the concrete sewer pipe and avoid potential liabilities, additional costs and environmental issues that may arise. However, it should be noted that applying for and eventual approval of the loan does not obligate the City financially or legally to receive the funds and proceed with the project.

Upon approval of the City's application by the State Water Board, staff will seek the City Council's approval throughout the delivery of the project from acceptance of the loan to the construction award via individual contract award actions based on the City's purchasing rules.

The following are the major milestones to complete the project after approval of the loan, which is anticipated to take two years to complete:

1. Complete the design, bid, and environmental package.
2. Execute a loan agreement.
3. Advertise award a construction contract.
4. Complete the construction.

### Funding and Loan

The current status of the project is that of initial application; the State Water Board has been made aware of the City's intent to submit this project and the scope of the preliminary design. Once the project is fully designed and the environmental study is completed, the project can be fully submitted and scored by the State. Projects are funded based on score and funding available. City staff believes that a fully completed

package is likely to be funded after the December 31, 2022 deadline, based on conversations with State Board staff. The Resolutions attached to this report are required steps to be completed for the submittal of the funding package.

Based on the current design, it is estimated that an SRF loan of \$7,000,000 will fully fund the project, including planning, design, construction, construction management, and project administration.

No City funds are allocated for this project under the approved FY23 CIP budget. The anticipated future wastewater CIP available for this project is estimated to be \$500,000 annually. Under a pay as you go funding scenario by the City, the project would not be able to be constructed until 2035; that is without utilizing the SRF process.

However, using an SRF loan the project would allow an earlier completion. Upon approval of the City's application by the State Water Board and the City's acceptance of the loan, the City will be required to make annual repayments towards the loan for 20 years starting one year after the date of completion of the construction. Using a 1.8% rate, the annual payment would be \$420,000 with a total finance cost of \$1,400,000, which is anticipated to be available from the annual wastewater revenues. This would allow the project to start construction by early 2024 based on the assumption that all required permits are obtained and the project is funded.

### Environmental

At this time, the Project is seeking a Categorical Exemption based on and in accordance with the California Environmental Quality Act Section 15302(c), Replacement of Existing Facilities. The project meets all the conditions necessary to qualify for the exemption: replacement or reconstruction of existing structures and facilities where the new structure will be located on the same site as the structure replaced and will have substantially the same purpose and capacity as the structure replaced.

CONCLUSION:

Since the use of an SRF loan would allow an earlier completion and reduce the risk of further sewer spills, staff recommends that the City Council adopt the attached Resolutions required to obtain a State Revolving Fund loan for Phase 7 of the Sewer Inflow and Infiltration Project.

Reviewed by:



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Greg Humora  
City Manager

Respectfully submitted by:



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Michael Throne  
Director of Public Works

Attachments:

- A - Resolution- Authorizing Submittal of an Application
- B - Resolution- Resolution Adopting CEQA Exemption
- C - Resolution-Pledging Revenue and Funds to Repay the Loan
- D- Resolution- Reimbursement of Expenditure
- E- Project Location Map
- F- City of La Mesa SRF Loan Repayment Schedules