

# AUSTIN CITY COUNCIL

## AGENDA



Thursday, January 25, 2007

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### Austin Water Utility RECOMMENDATION FOR COUNCIL ACTION

ITEM No 3

**Subject** Authorize negotiation and execution of a 12-month service agreement with VELOCITY CREDIT UNION for the Austin Clean Water Program's Private Lateral Repair Low Interest Loan Program in an amount not to exceed \$700,000, with two 12-month extension options in an amount not to exceed \$700,000 per extension option for a total agreement amount not to exceed \$2,100,000

**Amount and Source of Funding** Funding in the amount of \$700,000 is available in the Fiscal Year 2006-2007 Capital Improvement Budget of the Austin Water Utility. Extension options are contingent upon available funding in future budgets.

**Fiscal Note** A fiscal note is attached.

#### Additional Backup Material

(click to open)

- ☐ Water and Wastewater Recommendation
- ☐ AWU FISCAL NOTE

**For More Information** David Anders, 972-0323, Denise Avery, 972-0104

**Boards and Commission Action** Recommended by the Water and Wastewater Commission

The Austin Clean Water Program (ACWP) was created in November 2001 to comply with the U.S. Environmental Protection Agency (EPA) Administrative Order (AO) issued on April 29, 1999. The AO specifically requires the City of Austin to carry out program activities and system improvements designed to result in the elimination of sanitary sewer overflows in its wastewater collection system.

**Private Lateral Repair Program** One of the key initiatives to be undertaken under the auspices of ACWP is the identification and reduction of inflow and infiltration (I&I) in the City's wastewater collection system from defective private laterals. A private lateral is the segment of a wastewater discharge pipeline on a private property such as from a residence or business up to the point of connection to the City's wastewater collection pipeline. In the course of testing for I&I, the Utility may identify defects in private laterals of homeowners and commercial building owners that results in I&I primarily during rainfall or related flooding events. All property owners are responsible for maintaining the segment of the private lateral which is on their private property.

The administrative process planned for addressing defective private laterals would basically include the following steps: 1. Based on on-site inspections, smoke testing, televised line assessment, the Utility determines if a private lateral is defective and identifies specific defects. 2. To assist the property owner, the Utility will then define the scope of repairs necessary to comply with the requirements of the Code of the City of Austin. 3. The Utility will then notify the property owner in writing that they must make the corrective repairs identified in the notification letter based on actual inspections and engineering review. 4. The notification letter to a property owner will provide information for the timeframe allowed for repairs, name of staff to contact for assistance, post-repair inspections, penalty and fines for non-compliance, and a list of licensed plumbers who could make the repairs. 5. Specifically for residential property owners, the

notification letter will also include information regarding availability of low interest loans or if eligible, grants from the Utility to make the necessary repairs

**Estimated Number of Defective Private Laterals in the System** Based on studies and evaluations completed thus far, the Utility estimates that approximately 10,000 private laterals out of almost 190,000 private laterals in the City's wastewater system would be found defective. It is the Utility's estimate that the cost to repair defects found in residential private laterals will range between \$10.00 and \$3,000.00 per lateral depending on the severity of the defects. It is estimated that the average repair cost will total \$2,000.00 per private lateral.

**Categories of Residential Property Owners With Defective Private Laterals** The Utility expects three categories of residential property owners receiving the private lateral defect repair notification letters. First, there will be those residential property owners (60% to 70%) who will make the necessary repairs to their private laterals on their own and with their own personal funds.

The second category of residential property owners (10% to 15%) receiving the repair notification letters will be low income property owners who will want to comply and make the identified repairs but will require financial assistance to do so. For these income eligible low income residential property owners, the Utility will provide grants for an amount not to exceed \$3,000.00 per property. Based on federal income guidelines, a low income residential property owner for purposes of the private lateral repair program is defined as one being at or below 80 percent of median family income for Austin area. For 2006, 80 percent of the median family income for a four person household in the Austin area is \$56,900 per year. It is estimated that a total of \$2.0 million to \$3.0 million will be spent over a three to five year period by the Utility to repair residential private laterals under the grants program. All program activities under the grants program will be administered, managed, and repair contracts will be coordinated by staff of the Austin Water Utility.

The third category of residential property owners (20% to 25%) will be those who may not either have personal resources available or meet income eligibility for a grant from the Utility to make the identified repairs by the deadline. In order to assist this last category of residential property owners to comply with the private lateral repairs compliance requirements, the Utility recommends providing low interest loans secured through and managed by Velocity Credit Union.

**Low Interest Loans** The proposed agreement with Velocity Credit Union is to provide a financing program to assist residential property owners in making repairs to their defective private laterals. This program would be especially helpful and critical for residential property owners with limited financial means. A task force consisting of members of the ACWP Citizen's Advisory Group has worked with the Utility to design the loan program. The Private Lateral Loan Program would make available, through Velocity Credit Union, subsidized loans to residential property owners only to pay for their private lateral repair or replacement.

These low interest loans would be available to only residential property owners for amounts ranging from \$1,000.00 to \$3,000.00 for repair or replacement of private lateral sewer lines only. The loan proceeds will not be used for landscaping or other home improvement or repairs, but only for the cost of necessary repairs as identified by the Utility. The Utility will buy down the lender's interest rate to provide less costly financing to the residential property owner. Under this low interest loan program agreement with Velocity Credit Union, the Utility will only be responsible for buying down the interest rate for these uncollateralized loans. The Utility or the City in no way provides any guarantee or security to Velocity Credit Union for the collection or repayment of the principal amount borrowed by the residential property owner. The lender, Velocity Credit Union, will apply their standard loan review and credit standards to approve all loans under this program.

The interest rates charged by Velocity Credit Union for a 12-60 month unsecured loan range from 10.9% to 17.9% depending on the credit score of the loan applicant. Based on the Utility's average annual cost of short-term capital borrowing, the Utility is recommending that the buy down of interest rates for the private lateral repair program be set at 2.9 percent. The Utility estimates that the buy down cost of providing low interest loans for the residential private lateral repair program will total between \$1.9 million to \$2.3 million over a three to five year period.

**Recommendation** The Utility recommends approval of authorization to negotiate and execute a 12-month service agreement with Velocity Credit Union for the Austin Clean Water Program's Private Lateral Loan Program in an amount not to exceed \$700,000.00, with two 12-month extension options in an amount not to exceed \$700,000.00 per extension option for a total agreement amount not to exceed \$2,100,000.00.



## MEMORANDUM

**TO.** Mayor and Council Members  
**FROM** Michael Warner, Chairperson  
Water and Wastewater Commission  
**DATE** December 20, 2006  
**SUBJECT** Water and Wastewater Commission Resolutions

Attached are the Water and Wastewater Commission resolutions that passed at the December 20, 2006 regular meeting. The resolutions are briefly listed below.


- 122006-A Commission Recommendation Authorize execution of a construction contract with MCLEAN CONSTRUCTION, LTD, Killeen, TX, for the construction of the Nagle Annexation Wastewater Improvements Project in an amount not to exceed \$474,759.50
- 122006-B Commission Recommendation Authorize negotiation and execution of an amendment to the professional services agreement with NAVIGANT CONSULTING, INC, Atlanta, GA, for forensic services to examine and analyze project scheduling for the Ullrich Water Treatment Plant Expansion to 160 million gallons per day (MGD) Project in an amount of \$200,000 for a total contract amount not to exceed \$369,000
- 122006-C Commission Recommendation Authorize negotiation and execution of a professional services agreement with LOCKWOOD, ANDREWS and NEWNAM, INC, Austin, TX, for preliminary engineering services for the Lost Creek Wastewater Pump Over Project in an amount not to exceed \$300,000
- 122006-D Commission Recommendation Authorize execution of a construction contract with BRH-GARVER CONSTRUCTION, LP (NON M/WBE 6%), Houston, TX, for Walnut Creek Service to Annexed Areas Project B in the amount of \$6,384,876 plus a \$319,244 contingency, for a total contract amount not to exceed \$6,704,120

Water and Wastewater Commission Resolution  
December 20, 2006

- 122006-E Commission Recommendation Ratify construction contract with KEYSTONE CONSTRUCTION, INC, Austin, TX, for construction of the Austin Clean Water Program Harold Court Wastewater Repair Project in the amount of \$142,128.70
- 122006-F Commission Recommendation Authorize execution of a construction contract with EXCEL CONSTRUCTION SERVICES, LLC for the construction of reliability and capacity improvements to both the Forest Ridge and Four Points Pump Stations in the amount of \$578,800 plus a \$60,000 contingency, for a total contract amount not to exceed \$638,800
- 122006-G Commission Recommendation Authorize execution of a construction contract with SMITH CONTRACTING CO., INC., Austin, TX, for wastewater construction on the Austin Clean Water Program Govalle 5 - Johnson Creek Project in an amount not to exceed \$926,844.45
- 122006-H Commission Recommendation Authorize the City Manager to negotiate and execute an agreement with Aqua Utilities, Inc. dba Aqua Texas, Inc. to provide wholesale water service to the Morningside subdivision located near the intersection of Manchaca Road and Morningside Lane
- 122006-I Commission Recommendation Authorize the City Manager to negotiate and execute an agreement with Wells Branch Municipal Utility District and Dartagnan Partners, Limited Partnership, through its Austin Bell Tower Investment Company, to provide pass-through wastewater service to the Technopolis tract located near the intersection of FM 1325 and Merrittown Drive
- 122006-J Commission Recommendation Approve Service Extension Request No. 2565 by SUN NLF LIMITED PARTNERSHIP for water service not to exceed a peak hour flow of 176 gallons per minute (gpm) for a platted 80 lot single-family home development located within the Drinking Water Protection Zone in the City's extraterritorial jurisdiction at Circle Drive and Lenape Trail
- 122006-K Commission Recommendation Approve Service Extension Request No. 2557 by ENRIQUE VARA for water service not to exceed a peak hour flow of 2 gallons per minute (gpm) for an existing single-family home located within the Drinking Water Protection Zone in the City's limited-purpose jurisdiction at 10303 North F.M. 620

Water and Wastewater Commission Resolution  
December 20, 2006

122006-L	Commission Recommendation	Authorize execution of a construction contract with PEABODY GENERAL CONTRACTORS, INC, Dripping Springs, TX, for the Dessau Wastewater Treatment Plant Fish Tract Lift Station Project in the amount of \$488,000 plus a \$48,800 contingency, for a total contract amount not to exceed \$536,800
122006-M	Commission Recommendation	Approve an ordinance amending Title 15 of the City Code to add Chapter 15-11 relating to private sewer lateral lines, creating an offense, and repealing Article 10 of Chapter 15-10 of the City Code relating to wastewater leaks
122006-N	Commission Recommendation	Authorize negotiation and execution of a 12-month service agreement with VELOCITY CREDIT UNION for the Austin Clean Water Program's Private Lateral Sewer Lateral Low Interest Loan Program in an amount not to exceed \$700,000, with two 12-month extension options in an amount not to exceed \$700,000 per extension option for a total agreement not to exceed \$2,100,000

  
For Michael Warner, Chairperson  
Water and Wastewater Commission

Attachments

# CAPITAL IMPROVEMENT BUDGET FISCAL NOTE

DATE OF COUNCIL CONSIDERATION  
WHERE ON AGENDA  
DEPARTMENT

01/25/07  
Resolution  
Austin Water Utility

## DESCRIPTION

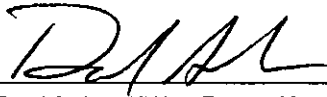
Authorize negotiation and execution of a 12-month service agreement with Velocity Credit Union for the Austin Clean Water Program's Private Lateral Repair Low Interest Loan Program in an amount not to exceed \$700,000, with two 12-month extension options in an amount not to exceed \$700,000 per extension option for a total agreement amount not to exceed \$2,100,000

## FINANCIAL INFORMATION

Project Name	VCU Private Lateral Loan Program
Fund	4480
Department	2307
Unit	9116

Current Appropriation	\$	700,000 00
Unencumbered Balance	\$	700,000 00
Less Outstanding Commitments		0 00
Amount of This Action		<u>(700,000 00)</u>
Remaining Balance	\$	<u><u>-</u></u>

Utility Finance

  
David Anders Utilities Finance Manager

Date

1/5/07