

POLICY FOR FINANCIAL ASSISTANCE TO REPLACE SEWER LATERALS AT SINGLE-FAMILY RESIDENCES

Overview

The Midway City Sanitary District ("District") is obligated by State law to prevent Sanitary Sewer Overflows ("SSOs"), which may in some cases result in sewage reaching the storm water system and ultimately the Pacific Ocean. Sewer laterals are privately owned and maintained to the point of connection with District sewer mains. Poorly maintained sewer laterals can cause SSOs, as well as backups in residential toilets, which can cause damage to property. The District is concerned about the inflow and infiltration into the public sewer system from privately owned and maintained sewer laterals. The District's Board of Directors ("Board") finds that in furtherance of the District's mission, it is in the best interest of its sewer system ratepayers to participate in the needed upgrades of deficient sewer laterals, to provide an incentive to residential homeowners to remedy such deficiencies and to establish a program for financial assistance to replace sewer laterals ("Program").

The Program shall operate to the extent that the Board allocates monies for the Program annually within the budget. Once allocated monies have been exhausted, the Program is finished for that budget year.

Eligibility Criteria

A sewer lateral that is eligible for this Program is that portion of the lateral pipe that carries household wastewater discharged from the residential unit to the District sewer main and which lies between a point just outside the structure foundation wall, or exterior wall if construction is non-traditional, and the sewer main. The definition is the same whether the sewer lateral is located in the front, side or rear yard. That portion of damaged or blocked pipes not located as described herein is not eligible for assistance under this Program.

Only owner-occupied single-family units, defined as an attached or detached residential building containing not more than one kitchen wherein the occupants of the dwelling unit are living and functioning together as a single housekeeping unit, are eligible for the Program. Notwithstanding the foregoing, duplexes and triplexes in which one of the units is owner-occupied are eligible for the Program.

Applications must be submitted by the owner of the residential unit as shown on the County of Orange's latest tax assessment roll.

Applications meeting Program criteria and that have been approved by the General Manager, will be eligible to be reimbursed up to 50% of the approved cost, but in no event to exceed \$1,800. A property owner that has received reimbursement under the Program or a residence that has had a sewer lateral replaced through the Program shall not be eligible for the Program for five years from the date of receipt of the reimbursement.

The term "replacement" of a sewer lateral may include repair or refurbishment of an existing lateral if, in the determination of District's General Manager, the repair or replacement will result in the sewer lateral having the life expectancy of a new sewer lateral. All pipe replacement material shall be PVC or such other material that the General Manager determines to be equal to or better than PVC in quality and durability. Replacement shall include a "clean-out" access to the sewer lateral near the connection of the sewer lateral to the residential unit.

Application Process

Applications for financial assistance under this Program shall be submitted to the General Manager prior to the commencement of any replacement work on the subject sewer lateral. The application shall be on a form provided by the District and shall include the following information at a minimum and any additional information that the General Manager deems necessary for the proper implementation of the Program:

- 1) The property owner's full name;
- 2) The property owner's mailing address and telephone number;
- 3) The address of the property at which the work is to be done;
- 4) The scope of work;
- 5) A copy of at least two (2) written cost estimates (bids), including the names and contractors' license numbers of the bidding contractors.

The application shall include sufficient evidence, to the satisfaction of the General Manager, to establish that the lateral is defective and cannot be cleared to allow it to function properly. Such evidence may include, but is not limited to, a CCTV inspection, dye test, plumber's verification and sketches. The General Manager may require the homeowner to submit additional documentation, as needed.

If the property is experiencing a blockage of the sewer lateral, prior to filing an application, the owner must first contact a licensed plumber to have the line cabled. If cabling does not result in clearing the line, the owner should have a CCTV inspection performed and a sketch prepared showing the approximate location of the defect. After the CCTV inspection and sketch is completed, the homeowner should contact the District between the hours of 8:00 AM and 4:30 PM, Monday - Friday, to secure an application and instructions for participating in the Program. The owner should submit a completed application, a copy of the paid cabling bill, the sewer lateral CCTV inspection video, sketch and any other required information to the District.

The contractor who is performing the work shall be licensed to perform the work and shall obtain an Encroachment Permit from the appropriate city or county Public Works Department for all work performed in the public right-of-way. If the conditions placed on the Encroachment Permit alter the original cost estimates, those revised costs shall be incorporated into the original application for approval prior to the commencement of work.

Prior to commencement of any work for which reimbursement is sought, the applicant must have received the General Manager's written approval for the reimbursement. Any work commenced prior to receipt of the General Manager's written approval will not be eligible for reimbursement. The applicant shall notify the General Manager in writing of any unexpected conditions which may cause additional costs to be incurred during construction. In his discretion the General Manager may review and/or approve the additional costs if such request for reimbursement is submitted prior to those additional costs being incurred.

Reimbursement requests shall be made to the General Manager and shall include the following:

- 1) A copy of the licensed contractor's invoice, which invoice shall separately state the cost of work performed on that portion of the lateral eligible for reimbursement;
- 2) A copy of the invoice evidencing it has been paid in full or any such other evidence required by the General Manager that the invoice has been paid;
- 3) A copy of the approved Encroachment Permit;
- 4) A release of any mechanics liens placed on the property that is related to the work;
- 5) A completed W-9 form; and
- 6) Any additional information the General Manager believes is necessary to process the request.

Once all documents have been received and approved by the General Manager, the General Manager shall be authorized to make payment to the applicant in accordance this Program and to the extent funds are still available in the applicable budget year. The District will endeavor to make payment within 30 days of receipt of all necessary documents.

Other

The District will not make payments to the contractor or otherwise be liable for such payments. Payments made to the contractor are the sole responsibility of the homeowner and homeowner shall only be entitled to reimbursement for payments made to the contractor. The District will not make any recommendations or referrals for contractors or be a party, beneficiary or obligee under any contract as between the applicant and the contractor. The applicant shall be solely responsible for finding and retaining a contractor who is qualified to do the work.

The District reserves the absolute right and discretion to approve or deny any application and is under no obligation to budget for the Program or to expend any sums budgeted in any applicable fiscal year for the Program. The General Manager shall file a written report with the Board by the first meeting in May of each year listing the

properties and persons that received assistance under the Program and the amount of such assistance.

The homeowner is responsible for contacting their homeowner's insurance company to determine if any portion of or the entire sewer lateral replacement is covered by the home insurance policy. The homeowner is required to notify the District of any insurance proceeds received from the insurance company to pay any part of the sewer lateral replacement. All such proceeds shall be deducted from the District's approved reimbursement amount or if the District has already paid the homeowner, homeowner shall reimburse the District for any such payments already made to the extent of the receipt of insurance proceeds.

By participating in the cost of replacement of a privately owned sewer lateral, the applicant agrees that the District is not assuming any ownership or maintenance responsibilities for the lateral upgrades. The lateral continues to be the sole responsibility of the owner being served. The applicant also agrees that the District shall not be liable on any claim or other cause of action under this Program for any amount exceeding the amount that has received the prior written approval of the General Manager.

Reimbursement Parameters

Case A:

Single family home, duplex or triplex with one lateral and common ownership. Property owner may receive up to \$1,800. No plan check and inspection fees; no-fee sewer permit.

Case B:

Small-lot subdivision where each unit occupies its own legal lot. Allowed one application from the HOA with a maximum reimbursement for the entire subdivision of \$1,800. No plan check and inspection fees; no-fee sewer permit.

Case C:

New development is not eligible for the Program.

Case D:

Remodeled or expanded residence. Program applies. No plan check and inspection fees; sewer permit required. CCTV required if existing lateral being reused.

Case E:

Common ownership properties, such as condominium and townhome projects, are not eligible for the Program.