



Department: Utilities
Cost Center: 6002
For Agenda of: 8/19/2025
Placement: Study Session
Estimated Time: 60 minutes

FROM: Aaron Floyd, Utilities Director
Prepared By: Chris Lehman, Deputy Director - Wastewater

SUBJECT: SEWER INFRASTRUCTURE RENEWAL STRATEGY AND PRIVATE SEWER LATERAL PROGRAM UPDATES

RECOMMENDATION

1. Receive a presentation and conduct a Study Session on the 2025 Wastewater Collection System Infrastructure Renewal Strategy, including proposed updated capacity-constrained areas infiltration and intrusion reduction approaches; and
2. Receive and file the 2025 Wastewater Collection System Infrastructure Renewal Strategy report, and provide strategic direction regarding the following:
 - a. Continuance of the Wastewater Flow (Sewer Lateral) Offset Program; and
 - b. Updated General Plan Water and Wastewater Element Capacity Constrained Boundaries Map; and
 - c. Expansion of Private Sewer Lateral Replacement Rebate eligibility to include all sewer lateral replacements within the newly defined capacity-constrained areas; and
 - d. Evaluation of a Private Sewer Lateral Inspection Rebate program.

REPORT-IN-BRIEF

This report provides a summary of the public health and regulatory reasons for existing Municipal Code and program requirements related to operation and maintenance of a safe and sanitary sewer system and private sewer lateral infrastructure; Council direction and action to date regarding these codes and programs; the status and progress made through the City's improvements to public infrastructure and implementation of programs for private sewer lateral inspections, repairs, and replacements; and a summary and status of the legal action and settlement agreement that initiated the current codes and programs. This report also summarizes the results of wastewater flow modeling and the 2025 Wastewater Collection System Infrastructure Renewal Strategy (WWCIRS, Attachment A), including an updated proposed Capacity-Constrained Area map (Attachment B). Public outreach was conducted prior to this Study Session, and the discussion items identified by staff were in part developed based on feedback from interested members of the public, developers, and realtor groups. The report concludes with staff's presentation of discussion items for Council to consider, staff's

Item 8a

recommendations regarding these discussion items, with requests for direction regarding existing programs and subsequent approvals for a General Plan Amendment (specific to the capacity-constrained area map) and modifications to rebate programs. **Figures presented in the body of the report are available in full size as Attachment C to this report.**

Inflow and Infiltration (I&I) flows in the City of San Luis Obispo are significant and impact all users of the wastewater system. Inflow is stormwater that enters private sewer laterals through direct connections such as a downspout, roof drain, yard drain, or foundation drain. These direct connections are illegal under City Municipal Code Sections [13.08.030](#) and [13.08.040](#). Infiltration is water that flows through the ground and can seep, trickle, or flow into the wastewater collection system through cracks in sewer mains and/or private sewer laterals. Effective I&I reduction is necessary to eliminate sanitary sewer overflows (SSOs) and pipe surcharging, reduce the amount of I&I flow to the Water Resource Recovery Facility (WRRF), and maintain available pipe capacity to serve planned infill development. Sanitary sewer overflows are a public health risk and can result in National Pollutant Discharge Elimination System (NPDES) Permit violations, fines from the Regional Water Quality Control Board (RWQCB), beach closures by the San Luis Obispo County Public Health Department, Clean Water Act third-party lawsuits, or a long-term enforcement agreement referred to as a consent decree. While significant progress has been made in addressing and managing the risks associated with sewer conveyance capacity limitations, achieving success will continue to require both public and private investment.

Development of the 2025 WWCIRS (Attachment A) included the collection of wastewater flow data, the completion of a system-wide capacity modeling study in 2024, and the completion of an updated wastewater flow model. Based on the results of the analysis, recommendations for capital improvement sewer projects are included in the 2025 WWCIRS, which will be utilized by staff as a guidance document to investigate and evaluate future capital projects for Council's consideration during the development and adoption of future financial plans.

As discussed further in this report, staff requests strategic direction from the City Council regarding the following:

- 1) Continuation of the Wastewater Flow (Sewer Lateral) Offset Program. Alternatives to the continuance of this program are presented and discussed in Study Session Question #1. Continuation of the program without modification would not require further council action. Should Council decide to direct staff to proceed with one of the alternatives to continuing the program, staff would need to complete an update to the City's Municipal Code, which would not be feasibly adopted until sometime in 2026.

- 2) Updated sewer capacity-constrained boundaries map (Attachment B). If Council directs staff to proceed with an updated boundaries map and retain the existing Private Sewer Lateral Offset Program, staff plan to present the updated map as an amendment to the Water and Wastewater Element of the General Plan to the Planning Commission on October 22, 2025. Staff would then return to Council with the Planning Commission's recommendation on December 2, 2025.
- 3) Expansion of existing private sewer lateral replacement rebate eligibility to include *all* properties within capacity-constrained areas (including multi-family and commercial). Currently, only single-family residential properties qualify for this rebate. If Council directs staff to proceed with the rebate program amendment, staff will provide a draft Resolution to execute expanded rebate eligibility for Council's consideration on December 2, 2025.
- 4) Evaluation of a new short-term rebate to incentivize private sewer lateral inspections within capacity-constrained areas. If Council directs staff to proceed with the rebate program, staff anticipates that the new rebate would be implemented through the 26-27 Supplemental Budget or the 27-29 Financial Plan. Following an initial pilot program, staff would review the effectiveness of the new rebate and confirm funding availability before making a recommendation for a longer-term rebate program.

POLICY CONTEXT

The primary goal of the Wastewater Flow Offset (Private Sewer Lateral) and Rebate Programs continues to be the reduction of inflow and infiltration from private sewer laterals and reducing the potential for SSOs, while accommodating housing development and furthering the City's [Major Goal](#) of Housing and Neighborhood Livability-Healthy, Safe, and Affordable.

California River Watch Settlement Agreement

On July 7, 2016, the City entered into a settlement agreement with California River Watch regarding alleged Clean Water Act violations. The settlement agreement included a "sunset" date of July 7, 2023, which meant, in part, that California River Watch agreed not to sue the City for the period between July 7, 2016, and July 7, 2023 (refer to further discussion in the Background section of this Council Agenda Report). The settlement agreement required the City to consider two Supplemental Environmental Programs intended to secure significant benefits to the local environment. The following programs are excerpted from that agreement:

Lateral Inspection and Repair Program: Within one (1) year from the Effective Date of this Agreement, the City staff shall recommend to the City Council an ordinance establishing program for the inspection, repair, and/or replacement of private sewer laterals. The program proposed will use the following events as a basis or trigger" for inspection, repair, and/or replacement:

Item 8a

1. *Transfer of ownership of the property if no inspection or replacement of the sewer lateral occurred within twenty (20) years prior to the transfer;*
2. *If two (2) or more sanitary sewer overflows are caused by the same private sewer lateral within the immediate past two (2) years; or*
3. *Where the application for a building permit indicated the expected addition of flow through the private lateral (e.g. addition of bathrooms, bedrooms, addition living space).*

Voluntary Private Lateral Replacement Rebate Program: The City staff shall recommend a Voluntary Private Lateral Replacement Rebate Program. For three (3) years from establishment, the Program will provide, on a first come, first served basis, one thousand (\$ 1,000) dollars toward the total replacement costs of a residential private lateral, not to exceed a total of fifty thousand (\$ 50,000) dollars annually.

The settlement agreement with California River Watch did not mandate that the City adopt either of these programs, but it did mandate that the City Council consider an ordinance to establish such programs. Council provided direction to staff at study sessions on [October 4, 2016](#), and [April 4, 2017](#). On [May 16, 2017](#), Council considered and did not approve a proposed private sewer lateral ordinance that would have required mandatory repair or replacement of defective laterals prior to a change of ownership in real property. Based on feedback received during recent public outreach, this option has been brought back to Council for consideration during this Study Session. This option is presented within Study Session Question #1 regarding continuance of the existing Wastewater Flow Offset program.

Following the 2017 study sessions, and after deliberation and further study, the City adopted its Private Sewer Lateral Offset and Private Sewer Lateral Inspection Upon Sale requirements ([August 20, 2019](#)), and Private Sewer Lateral Rebate program ([August 20, 2019](#)), which are currently in place today. The current inspection upon sale requirements *do not* require the repair or replacement of defective laterals prior to a change in ownership of real property.

2006 General Waste Discharge Requirements and 2015 WWCIRS

The City completed its prior WWCIRS in [April 2015](#), which will be superseded by the 2025 WWCIRS, presented as Attachment A in this report. The City Council approved an update to the Water and Wastewater Management Element of the General Plan in May of 2018, which included the identification of capacity-constrained (sewer conveyance) areas.

The State Water Resources Control Board (SWRCB) adopted statewide General Waste Discharge Requirements (GWDR) for publicly owned sanitary sewer systems in 2006. The GWDR required the development and implementation of a system-specific local sewer system management plan that documents a comprehensive program for sewer system operation, maintenance, repair, and reporting of all sanitary sewer overflows into the California Integrated Water Quality System (CIWQS) reporting database. The City is required to comply with these statewide requirements. The City Council approved the 2019 Sewer System Management Plan on May 7, 2019, which has since been superseded (see below).

2023 General Waste Discharge Requirements

The SWRCB adopted an updated statewide GWDR for publicly owned sanitary sewer systems on [June 5, 2023](#). The updated GWDR requires the development and implementation of a system-specific local sewer system management plan that documents a comprehensive program for sewer system operation, maintenance, repair, and reporting of all sanitary sewer overflows in the California Integrated Water Quality System (CIWQS) reporting database. The City is required to comply with these statewide requirements. The City Council approved the (current) [2025 Sewer System Management Plan](#) on March 4, 2025.

DISCUSSION

Background

Private sewer laterals are the portion of the sewer lines that connect from a residence or commercial structure up to and including the point of connection with the publicly owned sewer main (Figure 1).

The City estimates that there are **13,421** private sewer laterals citywide, including **3,052** within the proposed updated (draft) capacity-constrained areas. Notably, *this is a significant reduction from the 7,000 private sewer laterals located in the current capacity-constrained areas.* These changes are discussed and presented in the *Proposed Updated Capacity Constrained Areas* section of this report.

Pursuant to City [Municipal Code Section 13.08.395](#), inspection and maintenance of private laterals are the responsibility of the property owner. Inspections are required when any of the following events occur: 1) after a sanitary sewer overflow (spill) occurs, or, 2) upon submittal of a building permit for the addition of a bedroom, bathroom, or kitchen in a residential structure, or the addition of a non-residential space or an additional plumbing fixture unit in non-residential structures, or, 3) change in the use of

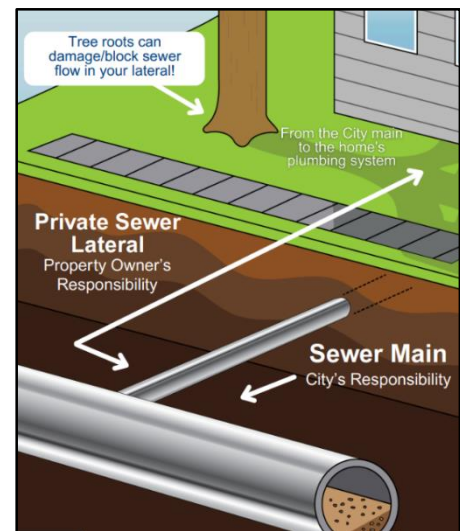


Figure 1: Private sewer lateral connection to City sewer main

the structure (e.g. residential to non-residential resulting in a higher flow or where the structure has been vacant or unoccupied for more than three years), or, 4) increased water domestic meter size or addition of a domestic new water meter, or, 5) subdivision of a property, or, 6) upon findings of I&I, or, 7) upon change in ownership of real property. Inspections are required regardless of whether the property is in a capacity-constrained area.

Exceptions to inspection requirements include 1) new construction or if a lateral was installed within the last 20 years, or 2) a lateral inspection has already been completed within the last five years, or 3) if the lateral is located within a common interest development.

Impact of Inflow and Infiltration on the City’s Wastewater Collection System

The City has separate public stormwater and public sewer systems; however, during wet weather, the City’s wastewater collection system experiences a significant increase in volume due to storm-related flows. Though not intended to be conveyed or treated by the wastewater system, stormwater enters wastewater pipes directly through improperly plumbed drains (inflow) and/or as groundwater that seeps through cracked wastewater pipes (infiltration). An illustration of common sources of inflow and infiltration (I&I) is presented below in Figure 2. Significant I&I in the collection system can result in SSOs, which can have public and environmental health impacts. Under these conditions, peak flows to the City’s WRRF have exceeded 20 million gallons a day (MGD) in a 24-hour period, where expected flows are under four MGD in a typical 24-hour period. Treatment of this excess wastewater flow increases energy used for pumping, treatment, and chemical usage. I&I also consumes capacity in the collection system, resulting in increased capital requirements to increase pipeline size, energy, and other costly treatment expenses. The comprehensive flow study completed by the City in 2024 identified multiple locations in the collection system that experienced elevated flows due to I&I, which is discussed in detail in the 2025 WWCIRS (Attachment A). These elevated flows result in the identification of capacity-constrained areas of the wastewater collection system that are unable to accommodate the impacts of I&I safely.

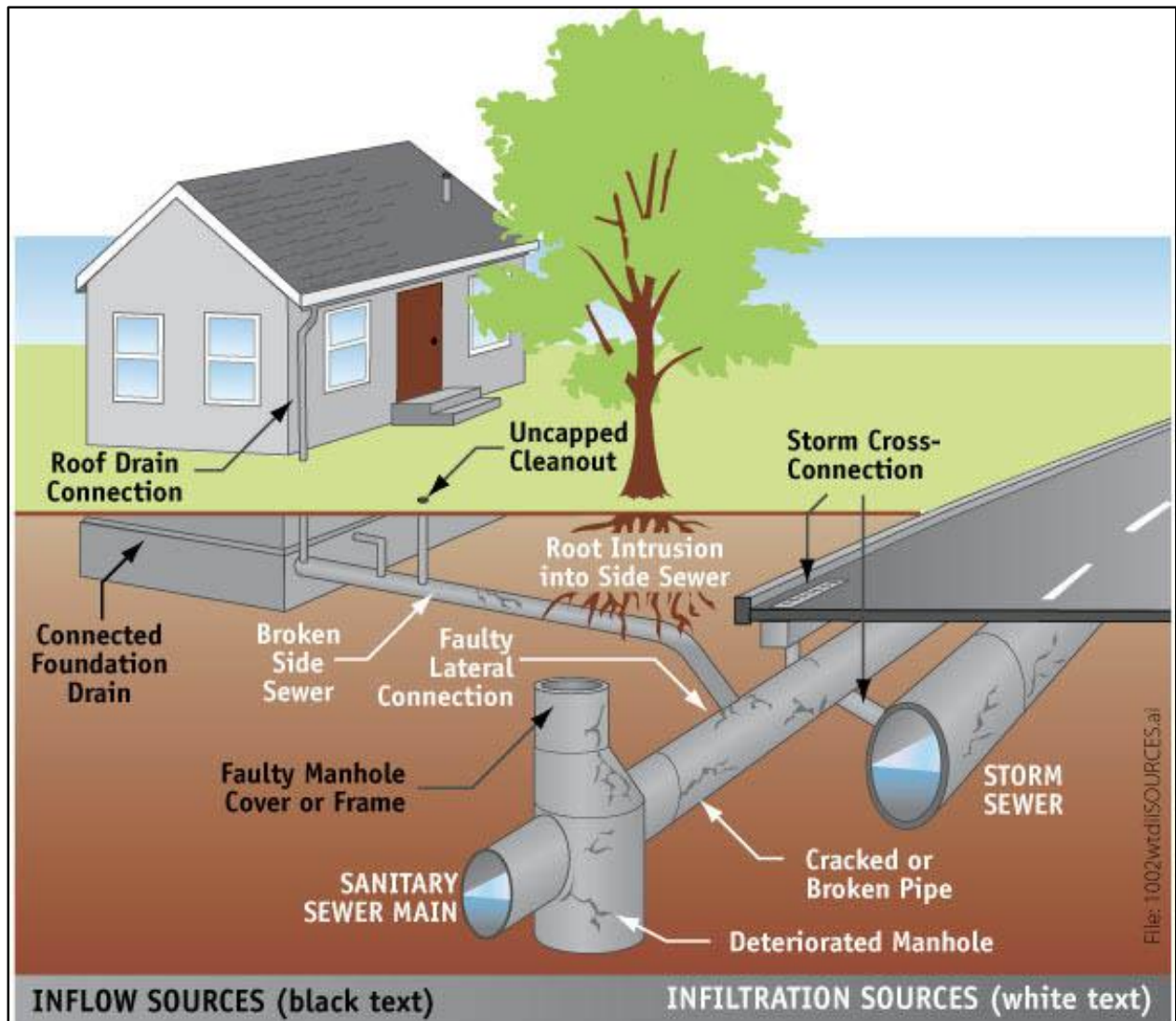


Figure 2: Sources of Inflow and Infiltration

City's Progress in Reducing Sanitary Sewer Overflows

The City has made significant progress over the years in repairing and replacing its aging wastewater infrastructure and in reducing SSOs. The City has 148 miles of wastewater pipelines and roughly 165 miles of private sewer laterals, making over 50 percent of the system privately maintained. The City has collected condition data on the public wastewater collection system through closed-circuit television (CCTV) inspections; approximately 95 percent of the public system has been inspected since 2013, which excludes assessment of force mains that staff are unable to inspect due to technology limitations and without major service disruptions. CCTV inspections, which are ongoing, have been completed in accordance with the terms of the River Watch settlement.

Based on condition assessments, pipe deficiencies are prioritized for repair or replacement through the Sewer Fund's capital improvement program. The City completed substantial rehabilitation of publicly-owned sewer mains, maintenance holes, and lift stations, as shown in Figure 3, below. The City invests approximately \$1.8 million annually in collection system maintenance and minor construction repairs. This includes lift station maintenance, hydro cleaning, and closed-circuit television inspection of the City's sewer mains.

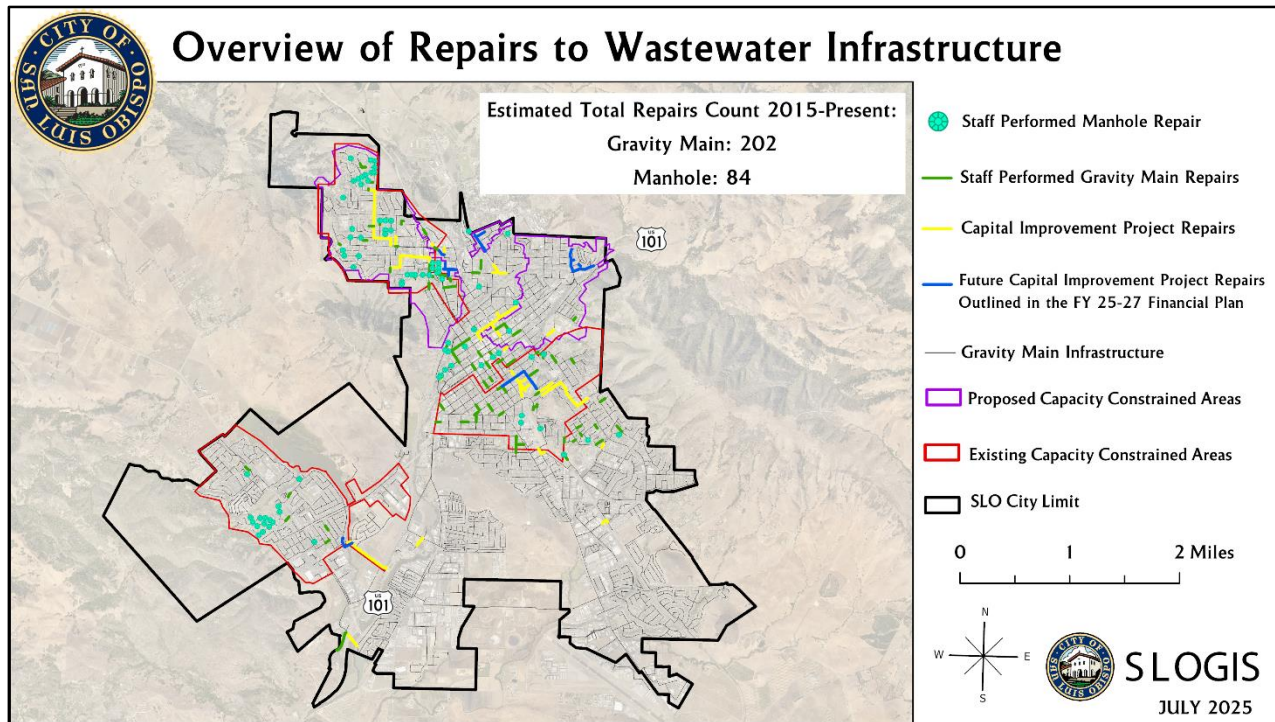


Figure 3: City CIPs completed, all areas, and approved future Capital Improvement Projects, from 2015 to present

Future proposed collection system improvements recommended in the 2025 WWCIRS (Figure 4, see following page), and by the City (Figure 5, see the following page), will require study, design, and budget adoption.

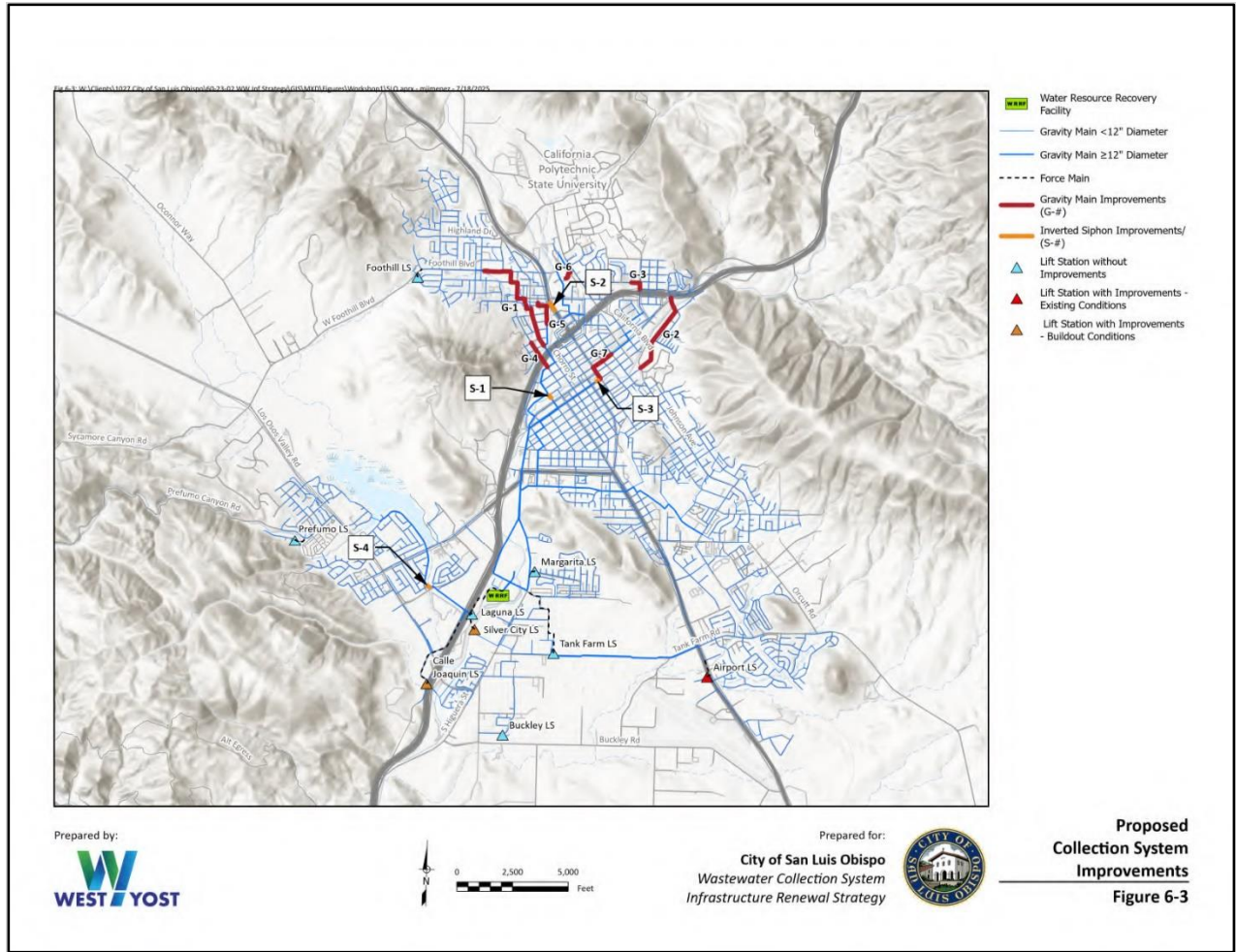


Figure 4: Proposed (future) collection system improvements recommended in the 2025 WWCIRS (will require further study and budget adoption)

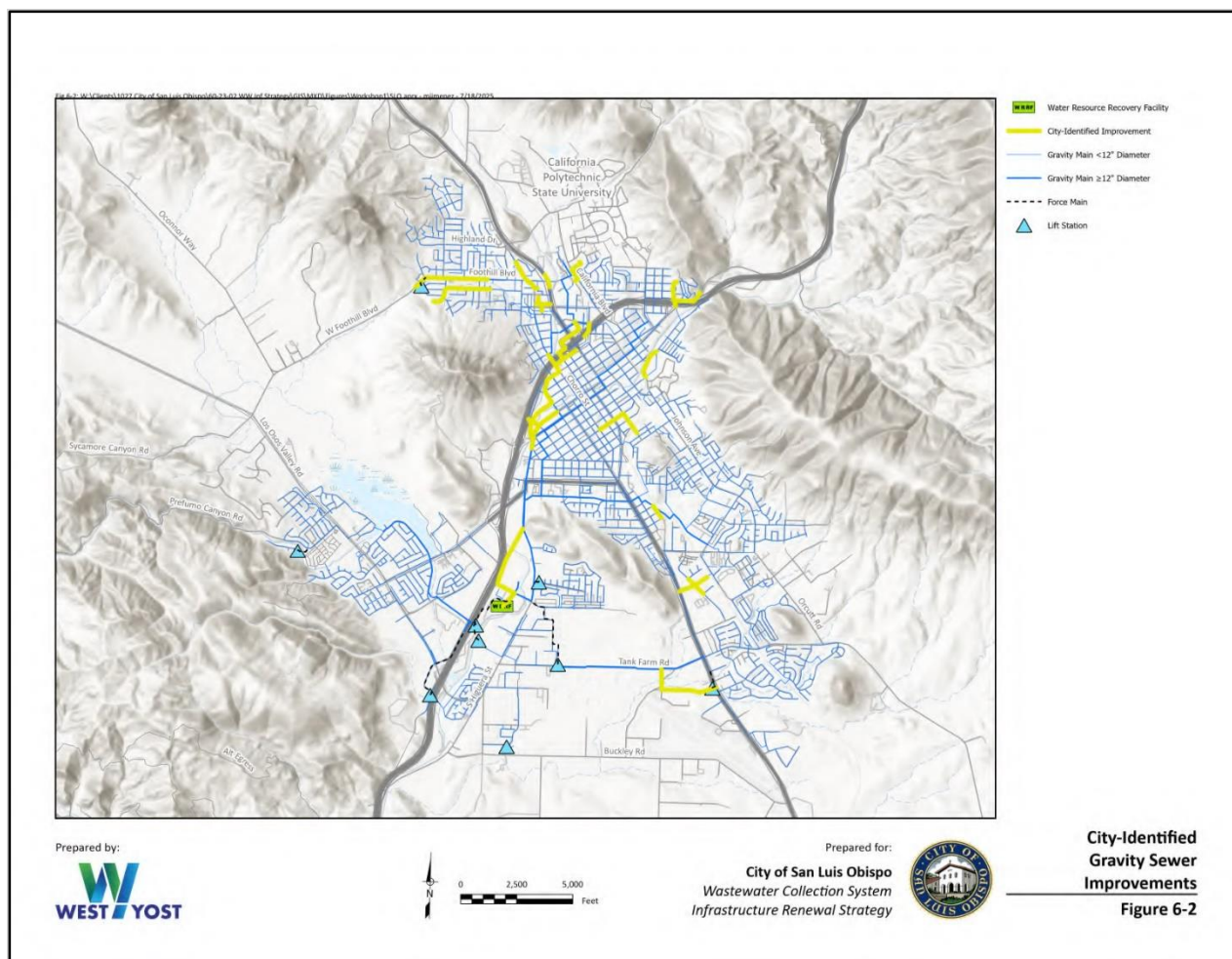


Figure 5: Proposed (future) collection system improvements identified by the City (will require further study and budget adoption)

Since the completion of the 2015 WWCIRS, the City has also:

- 1) Completed updated modeling of the collection system and prioritization of capital projects needed to address pipeline age, condition, and capacity issues; these recommended capital projects are presented in the 2025 WWCIRS. The 2025 WWCIRS resulted in the City purchasing new modeling software, which allows for some in-house capacity evaluations (i.e., staff conduct the modeling rather than relying on consultant services) and supports developer-funded contracted modeling for private projects. It also enables staff to model modified flows to address capacity issues. The model has been integrated into the City's GIS platform, which allows for more frequent minor updates as capital projects and private development projects are implemented;
- 2) Updated City Design Standards (Uniform Design Criteria) to require CCTV inspection and repair or replacement for re-use of an existing private sewer laterals as specified in [Municipal Code Section 13.08.395.C](#) (see Background introductory paragraph for conditions that trigger these requirements);

- 3) Reduced SSOs, or spills from public infrastructure (Figure 6) from a peak of 35 in 2021 to one in 2025, and reduced system failures through a dynamic cleaning and repair program that utilizes Artificial Intelligence (AI) to address the highest risks first;

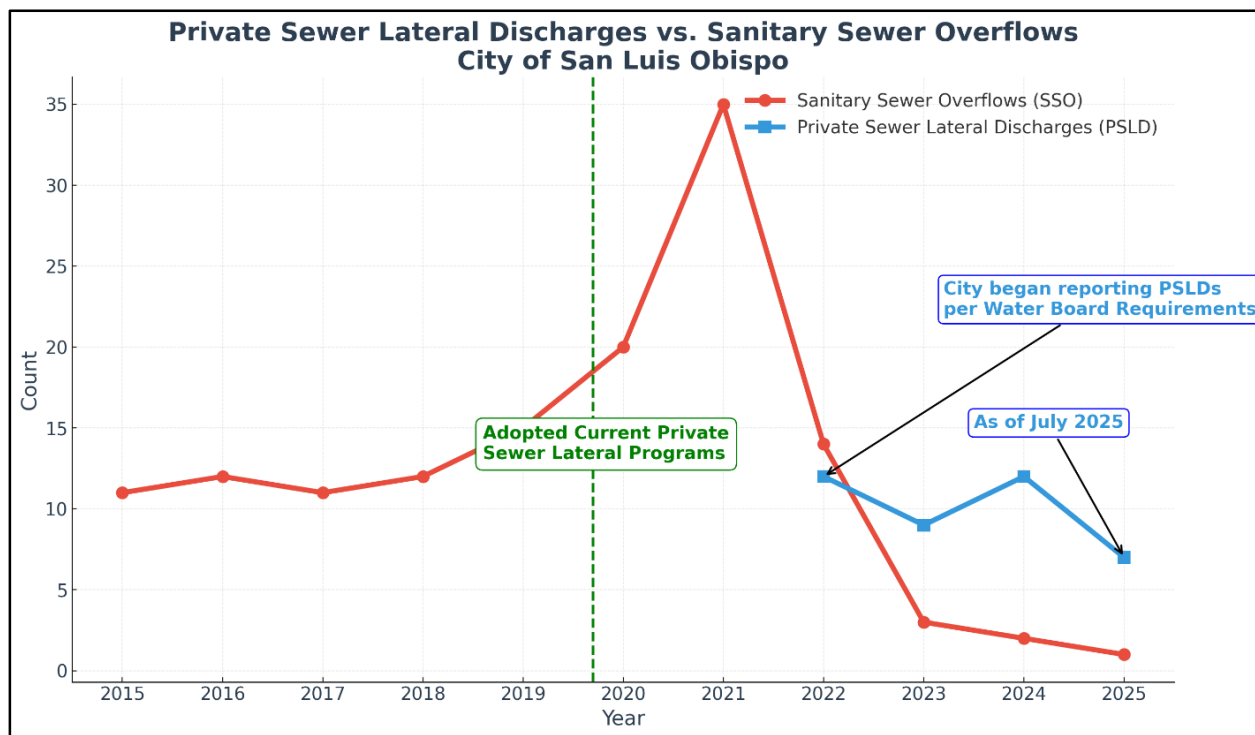


Figure 6: Public (SSO) and Private (PSLD) Sewer Spill Trend¹

- 4) Doubled treatment capacity at the WRRF from 4.5 to 9 million gallons to accommodate I&I through the WRRF Upgrade Project (2019-2025); and
- 5) Installed a network of 22 remote monitoring devices that allow staff to actively monitor and respond to blockage events to prevent spills (SSOs). First installed in 2019, the city currently has five “Smart Covers” in service, which are depicted as red circle icons in Figure 7 (see following page). In early 2025, the City purchased and deployed 17 additional (blue icon) advanced meters across the system, placing them at key locations identified in the recent flow study. These meters are intended to support long-term data collection to improve monitoring and will help identify and refine data that helps identify I&I or capacity issues within the collection system. The five Smart Covers have been installed in high-priority locations, such as creek crossings and siphons, that have a history of blockages. The 17 additional monitoring devices may be relocated as needed to respond to emerging concerns or shifting priorities within the collection system.

¹ Water Board requirements for tracking PSLDs changed in 2022. Data for 2025 will be completed at year end.

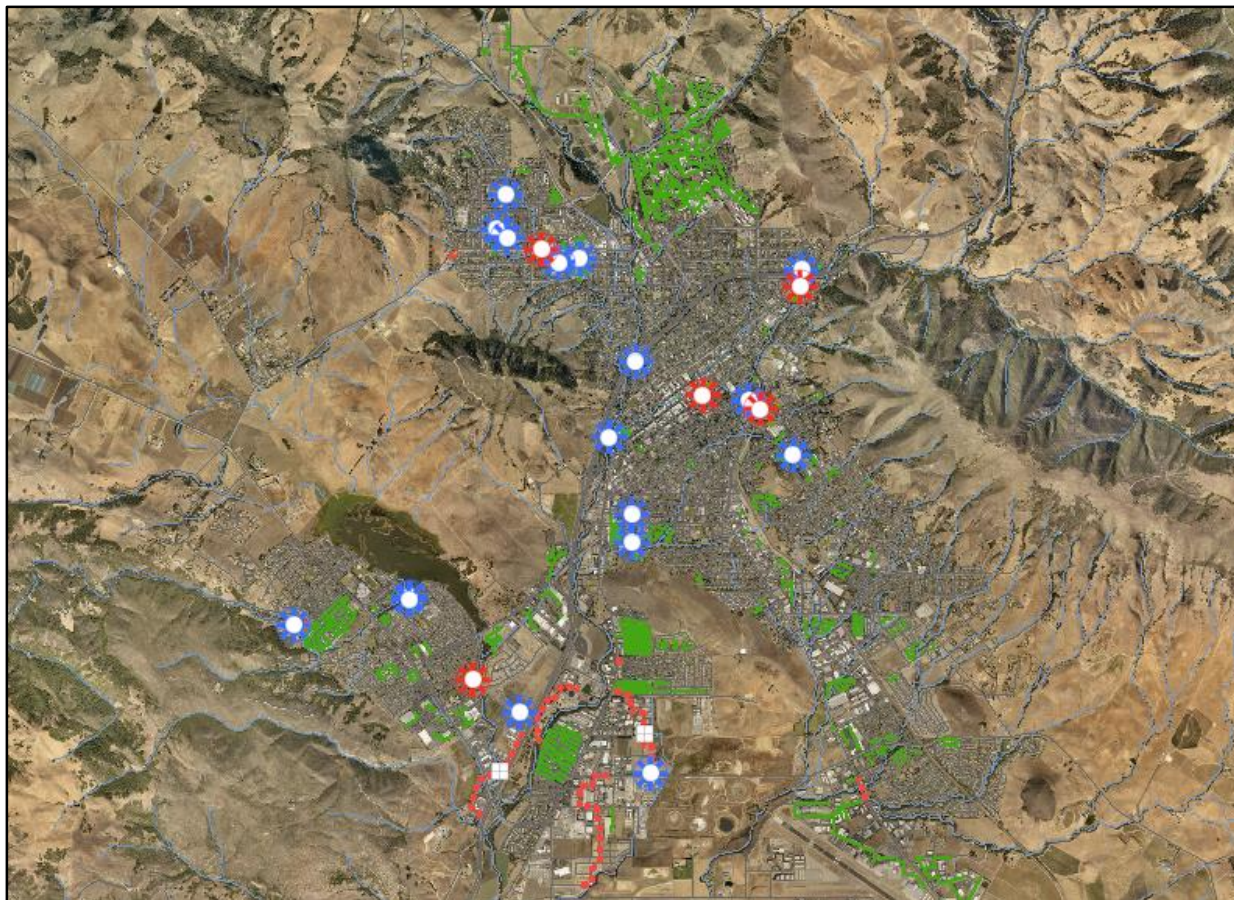


Figure 7: Remote Sewer Level Monitoring Devices

California River Watch Lawsuit Settlement, Sunset, and Remaining Risks

After further evaluation in consultation with the City Attorney's Office, staff have determined that modification or elimination of one or more of the City's private sewer lateral programs (Wastewater Flow Offset, Inspection Upon Sale, or Rebate) would not violate the terms of the River Watch settlement agreement, which expired on July 7, 2023. However, due to the ongoing possibility of private sewer lateral discharges (spills), staff recommend maintaining the existing private sewer lateral programs to address failing private infrastructure. Maintaining, *and/or refining* existing private sewer lateral programs will help manage public and environmental health risks and demonstrate to Non-Government Organizations (NGOs) and the City's regulators that there are safeguards in place and ongoing progress is occurring to ensure that the City is proactively protecting the public and environmental health of the community, which will also reduce the risk of future fines and litigation associated with sewer spills.

Private Sewer Lateral Programs

Inspection of and Replacement of Existing Private Sewer Laterals

After an ordinance revision was made on [August 20, 2019](#), with some exceptions², after January 1, 2020, all private sewer laterals connected to the city's sewer system are required to be inspected at the property owner's sole expense when certain events occur, such as sewer spills, transfer of property ownership, and certain building permit conditions³. Following an inspection required by transfer of property ownership, the inspection results must be disclosed to the purchaser of the property, but repair/replacement of poor or failed laterals is not triggered by sale alone.

These inspections have produced a dataset critical to the success of the overarching private sewer lateral programs, which aim to correct private infrastructure deficiencies with a data-driven approach that is focused on the highest areas of risk.

This program also requires repair or replacement of sewer laterals that do not comply with the condition requirements identified in the Municipal Code⁴. However, the current ordinance does not allow staff to require repair or replacement of private sewer laterals following an inspection completed as a requirement of a property sale (Inspection Upon Sale), which would require an update to the City's Municipal Code and Council's approval or an updated ordinance. For all other instances, if the private sewer lateral is not in compliance with these requirements, then it shall be repaired or replaced to conform to such standards within 180 days. If an inspection of a noncompliant lateral was required due to a sanitary sewer overflow or findings of infiltration and intrusion, or a lateral with defects that have not met the required pipe material requirements as defined in the current City Standard Specifications and Engineering Standards, then it must be completely replaced rather than repaired.

Wastewater Flow Development Offset Program

While spills (SSOs) originating from the City's infrastructure have stabilized and were reduced to one in 2025, private sewer lateral discharges (PSLDs) continue to be elevated due to aging systems that commonly have little to no preventative maintenance. Of the estimated 13,421 private sewer laterals in the City, 7,712 (over 50 percent) of these are in poor, failed, or unknown condition (Figure 8 on the following page). Where private sewer laterals in poor, failed, or even fair condition with minor defects connect to the City sewer, groundwater infiltrates into the sewer, and these areas of the collection system experience "surcharging," a condition where the sewer pipe is so full that the wastewater flow starts backing up in the pipe and sometimes up into the maintenance holes. This surcharging is especially prevalent in capacity-constrained areas.

² [Municipal Code Subsection 13.08.395\(C\)\(2\)](#) Exceptions for inspection requirements of existing private sewer laterals.

³ [Municipal Code Subsection 13.08.395\(C\)\(1\)](#) Inspection of Private Sewer Laterals.

⁴ [Municipal Code Subsection 13.08.395\(B\)](#) Ownership, Maintenance, and Repair

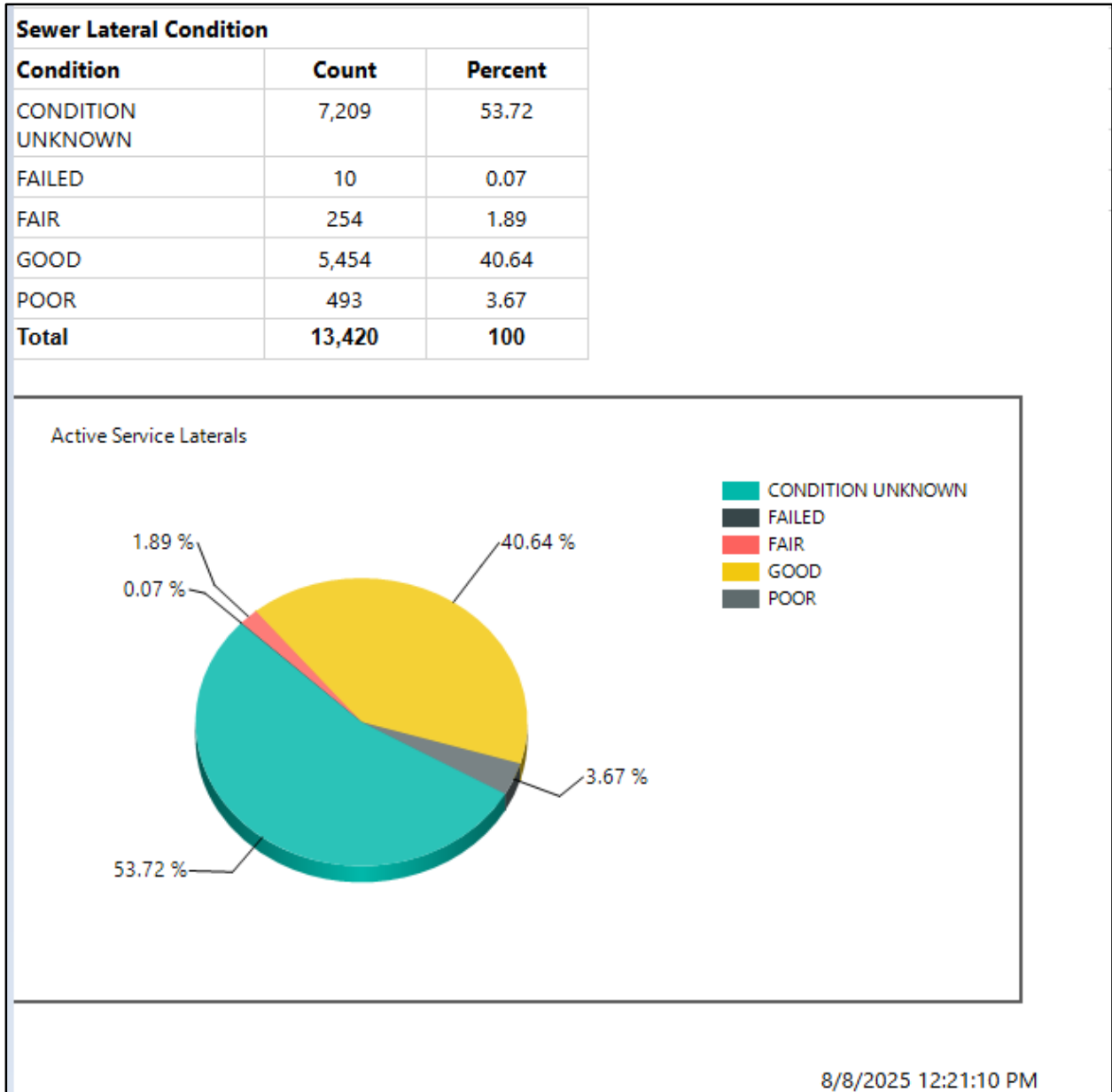


Figure 8: Private Sewer Lateral Conditions, Citywide

In 2019, Council directed staff to adopt the current private sewer lateral offset program, which requires existing private sewer laterals in poor or failed condition to be replaced to “offset” the impacts of new (private) development in capacity-constrained areas. Replacement of this existing infrastructure reduces I&I impacts and provides additional capacity for new development in these areas. Offset requirements are calculated based on the conditions described in City Municipal Code Section [13.08.396](#). While costs may vary depending on the length and complexity of the replacement, the typical cost to replace a private sewer lateral ranges from \$10,000 to \$15,000, exclusive of City fees which are approximately \$2,000. This cost may be offset for projects that qualify for the

private sewer lateral rebate, which is currently \$4,000. Applicants looking for qualified offsets may utilize the map of private sewer lateral conditions maintained on the City's website at www.slocity.org/laterals. Feedback from the community indicates that this process has been cumbersome, requiring outreach from applicants to property owners who have poor or failed laterals. This feedback has resulted in staff developing a new "opt-in" program that is described later on this page.

Private sewer lateral programs like the City's are not uncommon in California communities. The following cities have similar programs: Santa Barbara (since 2006), Berkeley (since 2006), Richmond (since 2006), Piedmont City (since 2011), Stege Sanitation District (since 2011), Emeryville (since 2011), Oakland (Since 2012), Ventura (since 2012), Emeryville (since 2011), Alameda (since 2015), Albany (since (2015), Ojai Valey Sanitation District (since 2015), Santa Cruz (since 2018), Castro Valley Sanitation District (since 2019), Monterey (since 2019), and San Mateo (since 2020). Many cities in the Bay Area were either mandated by the U.S. Environmental Protection Agency or the Regional Water Quality Control Board to adopt such a program. Other programs were developed as part of negotiated settlement agreements with San Francisco Baykeeper, which is a non-governmental organization (NGO).

Private Sewer Lateral Condition Portal

The City currently has a public portal available at www.slocity.org/laterals that shows the condition of inspected private sewer laterals (Figure 9, see following page). This map only displays the data that has been provided to the City through inspection requirements of private sewer laterals, and a significant number of lateral conditions are "unknown." Some laterals conditioned as "poor" or "failed" from inspection upon sale requirements have not been replaced. Based on prior Council direction to staff, repair or replacement of these laterals is not mandated prior to the close of escrow or following. The current City Municipal Code does not allow staff to require repair or replacement of private sewer laterals following an inspection completed as a requirement of a property sale (Inspection Upon Sale), which would require an updated ordinance and Council's approval to amend the Municipal Code.

Private Sewer Lateral Opt-In Program

In 2025, staff developed a new "opt-in" program to facilitate finding private laterals that qualify as a wastewater offset. Upon Council adoption of the updated capacity-constrained boundaries, staff will conduct targeted outreach to any properties in these areas with "poor", "failed," or "unknown" conditions. Property owners with private sewer laterals that are in poor or failed condition will have the opportunity to "opt in" to the offset program, which will result in a new map symbol or note on the lateral that indicates willingness to participate in the offset program. Property owners with unknown lateral conditions will be encouraged to complete a CCTV inspection of their lateral. The typical cost of a sewer lateral CCTV inspection is around \$350. To encourage these inspections,

staff are recommending for Council’s consideration a new proposed rebate, which is further described in Study Session Discussion Item #3. A subsequent condition rating of “poor” or “failed” will allow them an opportunity to participate in the offset program. If a property owner is required to replace a sewer lateral through the Wastewater Flow Offset Program, that property owner could select one or more of these laterals on the “opt-in” list to satisfy the requirement. This would help connect property owners and developers who are required to complete the Wastewater Flow Offset with property owners seeking lateral replacement. Participation in the opt-in program would only result in the property being listed as a participant on the public portal. Personal information, such as the property owner's name and contact information, would not be provided on the public portal, and applicants seeking to connect with a participant would be expected to conduct direct outreach to the opt-in property owner. The City would not be involved beyond providing this list of opt-in candidates. The offset “matchmaking” program outreach will begin in January 2026, after adoption of the updated capacity-constrained boundaries, and staff anticipate population of the updated data set on the public portal by the Spring of 2026.

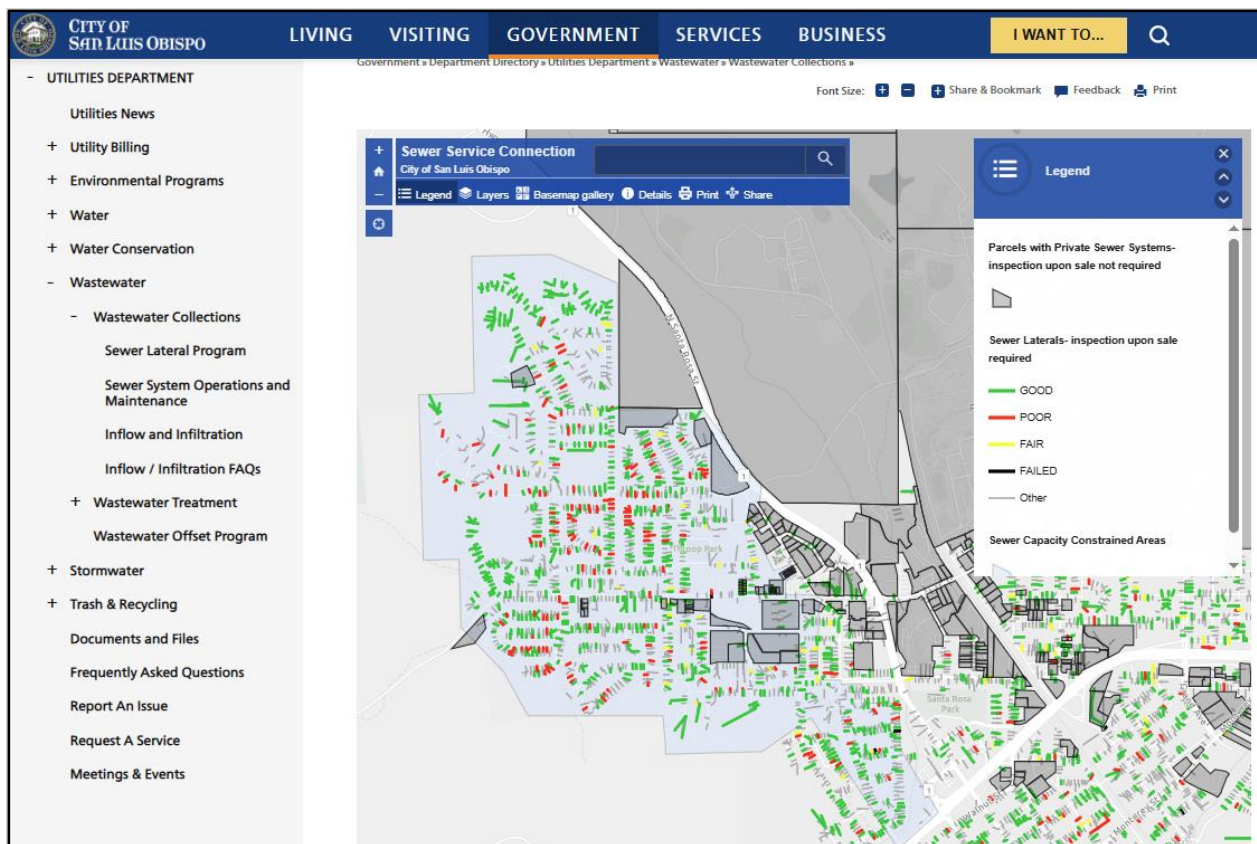


Figure 9: City-maintained public portal of all known private sewer lateral conditions (www.slocity.org/laterals)

Current Wastewater Collections Capacity Constrained Areas

On the following page, Figure 10 provides a “snapshot” of the private sewer lateral conditions known to the City as of 2015, when the previous WWCIRS project was completed. This “baseline” data set assumes that any laterals installed prior to 2015 utilizing plastic materials were in “good” condition. Before the adoption of the 2019 private sewer lateral inspection requirements, staff did not maintain a comprehensive database of private lateral conditions as they do today. In addition, since 2019, sewer lateral inspection methods have been standardized, and staff now utilize a Pipeline Assessment and Certification Program ([PACP condition grading system](#)). PACP conditioning requires that staff become [certified](#) in the program, which is an unbiased method designed to achieve consistent and reliable data. It is important to note that most plumbers performing CCTV inspection analysis are not PACP certified, highlighting the importance of City staff involvement in the conditioning of private sewer laterals using a standardized methodology. Property owners are required to submit the CCTV inspection to staff. The fee for staff to review the inspection and assess the condition of the lateral (poor/failed, fair, or good) is \$86.52 per the [2025-26 Comprehensive Fee Schedule](#).

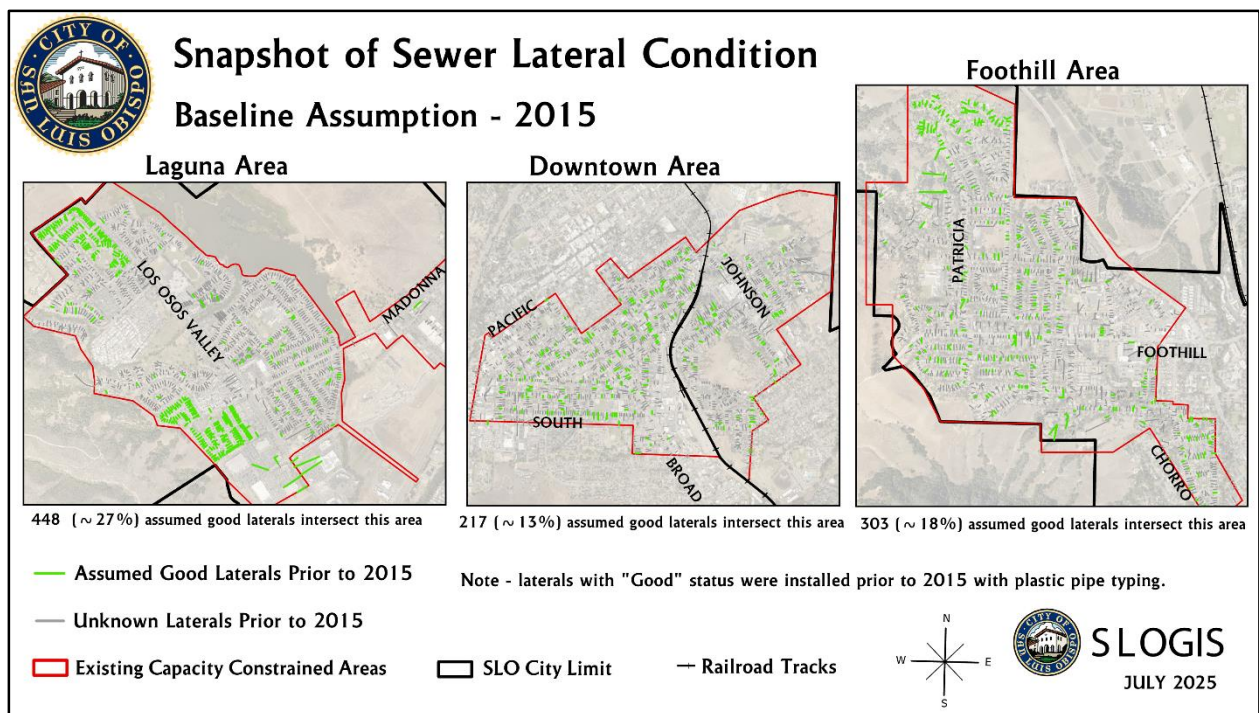


Figure 10: Current (Adopted) Capacity-Constrained Areas with (2015) Private Sewer Lateral Condition Data

2025 Wastewater Collection System Infrastructure Renewal Strategy

The City completed an updated WWCIRS in July 2025 (Attachment A). This study, similar to the 2015 project, provided an updated sewer hydraulic model based on real data collected during the peak wet-weather flows of December 2023 through March 2024. Additionally, an upgraded modeling software was utilized during the 2025 WWCIRS project, which is considered by the industry to provide a higher degree of accuracy. This software leveraged significantly more data (including, but not limited to, additional elevation data in lieu of assumptions and private sewer lateral inspection data) than what was available during the last study. In addition to an upgraded sewer modeling software that was provided with more data, the City has improved its inspection software and condition rating process (PACP) and leveraged AI tools to manage its data. The resulting recommendations were developed to aid staff in determining current and future (General Plan build-out conditions) capacity limitations and recommended capital improvement projects to address City infrastructure issues. If directed to do so, staff plan to return to City Council on December 2, 2025, with an update to the Water and Wastewater Management Element of the General Plan, which will include updated capacity-constrained (sewer conveyance) area boundaries. This process will include further public education and outreach, and consideration by the Planning Commission for recommendation to City Council.

Proposed Updated Capacity Constrained Areas

One of the primary deliverables of the 2025 WWCIRS is an updated capacity-constrained area boundary map. The following Figures (11 through 13) present the prior (2015) and current (2025) conditions of private sewer laterals overlaid over the current (adopted) capacity-constrained areas, based on data received through the sewer lateral inspection program. It is worth highlighting the vast improvement in the quality and quantity of this dataset, which is the result of six years of private sewer lateral inspections. A basic summary of condition improvements (Table 1) is as follows:

CC Area	2015		vs.	2025		2015 to 2025 Improvement
	“Good”	“Unknown/Poor”	“Good”	“Unknown/Poor”		
Laguna	27%	73%		31%	66%	6%
Downtown	13%	87%		27%	71%	16%
Foothill	18%	82%		36%	62%	22%

Table 1: Analysis of Private Sewer Lateral Condition Progress Towards 100% "Good" Condition Rating

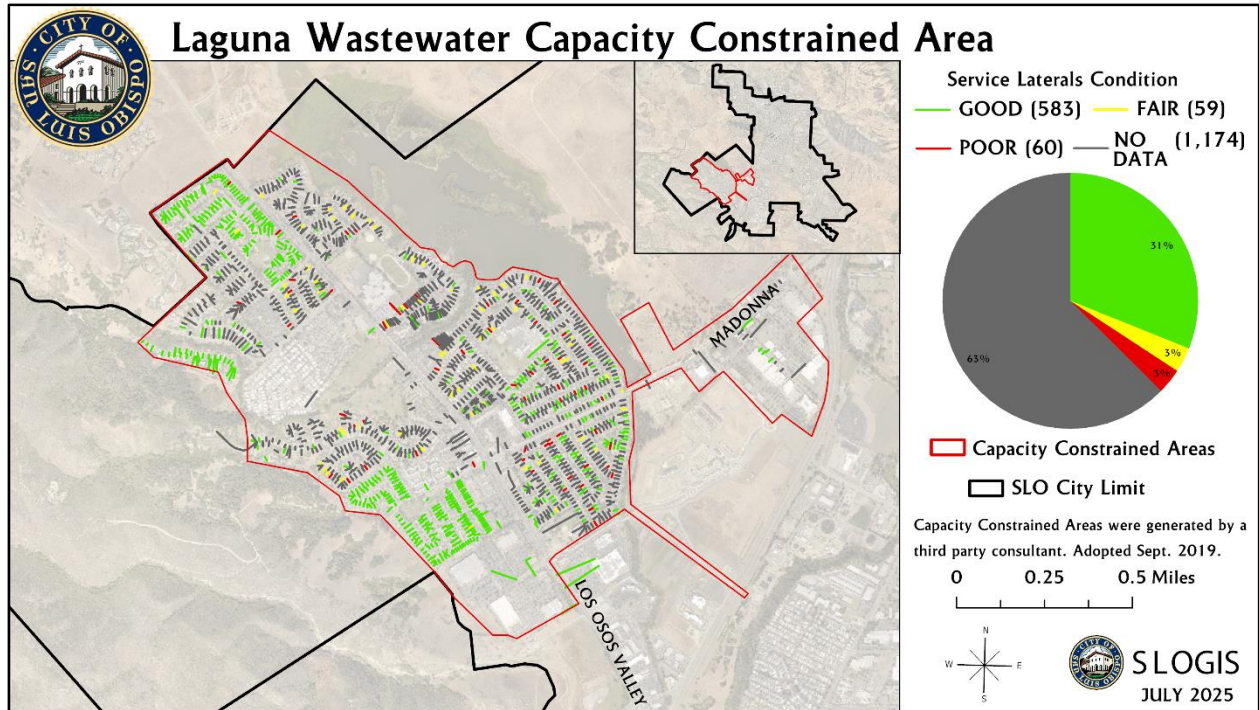


Figure 11: Current Capacity Constrained Area, "Laguna", with (2025) Private Sewer Lateral Conditions

On the following page, Figure 14 presents the updated boundaries, which are superimposed over the existing boundaries. Properties within Council-adopted capacity-constrained areas would be subject to the wastewater flow offset program. As discussed further below, staff recommend including Proposed Areas 1 and 3 on the updated capacity-constrained areas map, and excluding the consultant's recommendation for Proposed Area 2 (see Figure 14 later in the report), which is small enough to be addressed through City capital improvement projects which are currently funded in the adopted 25-27 Financial Plan Staff believe this is the most efficient way to address current and forecasted future capacity constraints in this area, which would not place additional burden on property owners and developers in this area.

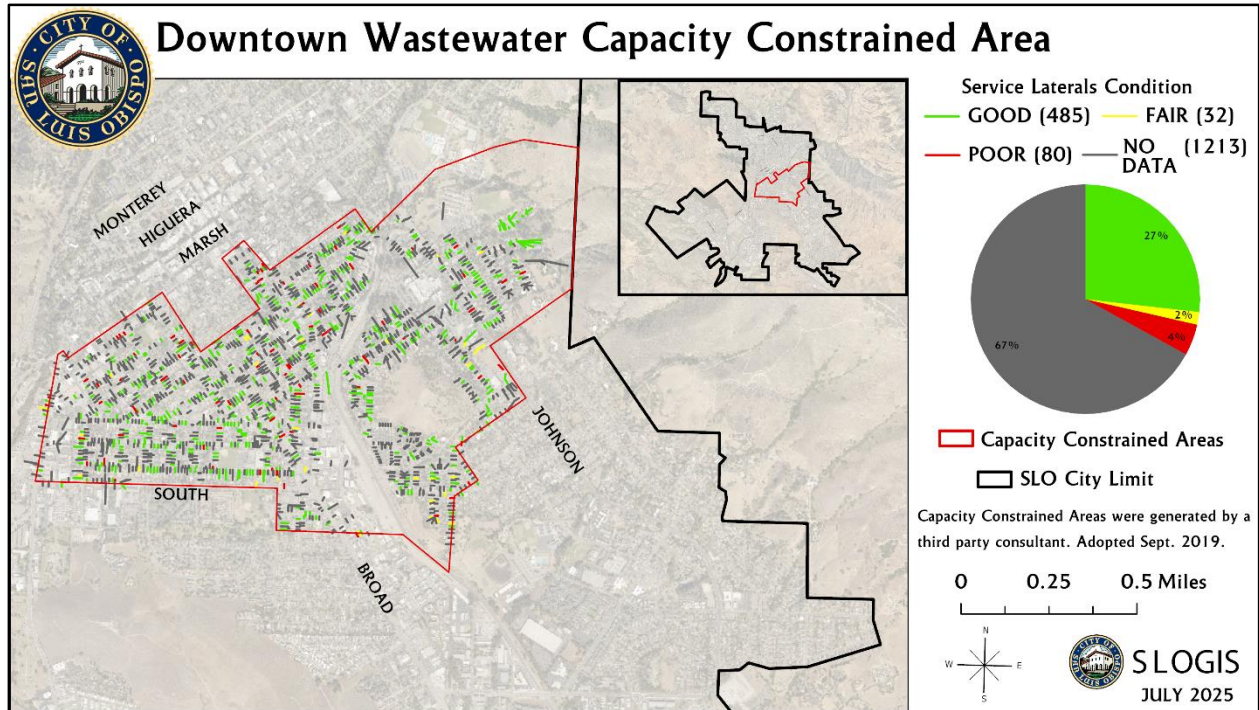


Figure 12: Current Capacity Constrained Area, "Downtown", with (2025) Private Sewer Lateral Conditions

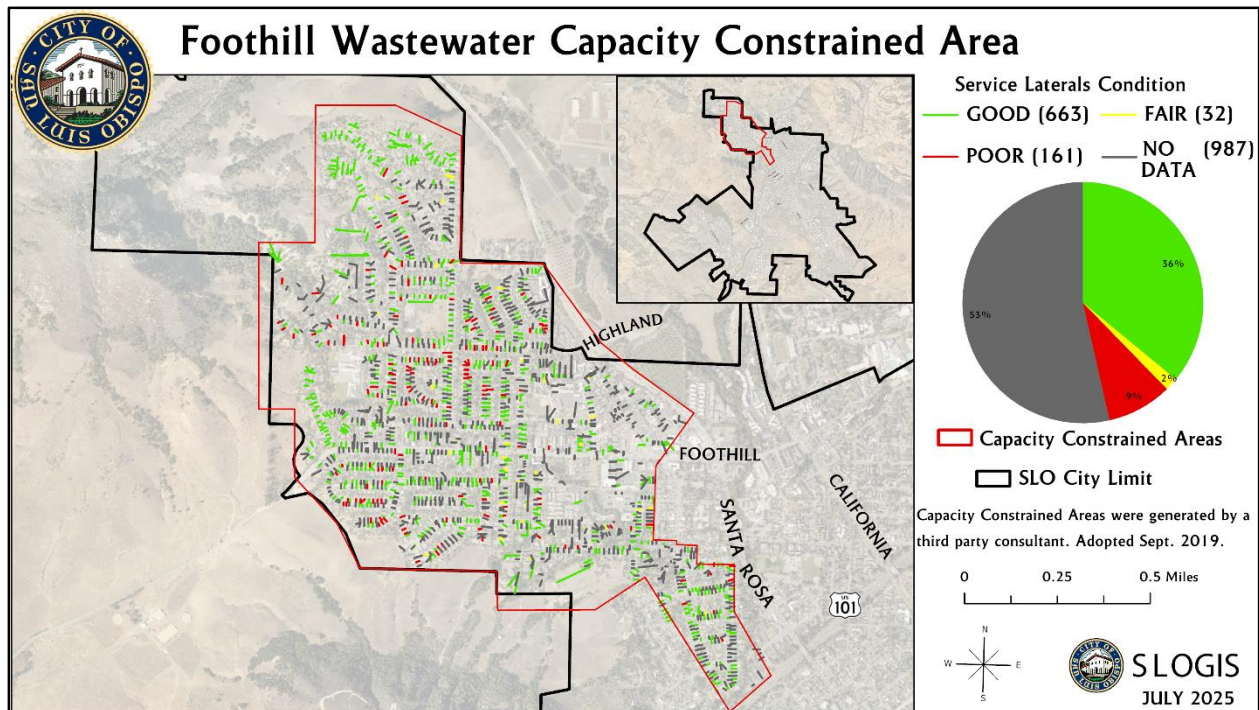


Figure 13: Current Capacity Constrained Area, "Foothill", with (2025) Private Sewer Lateral Conditions

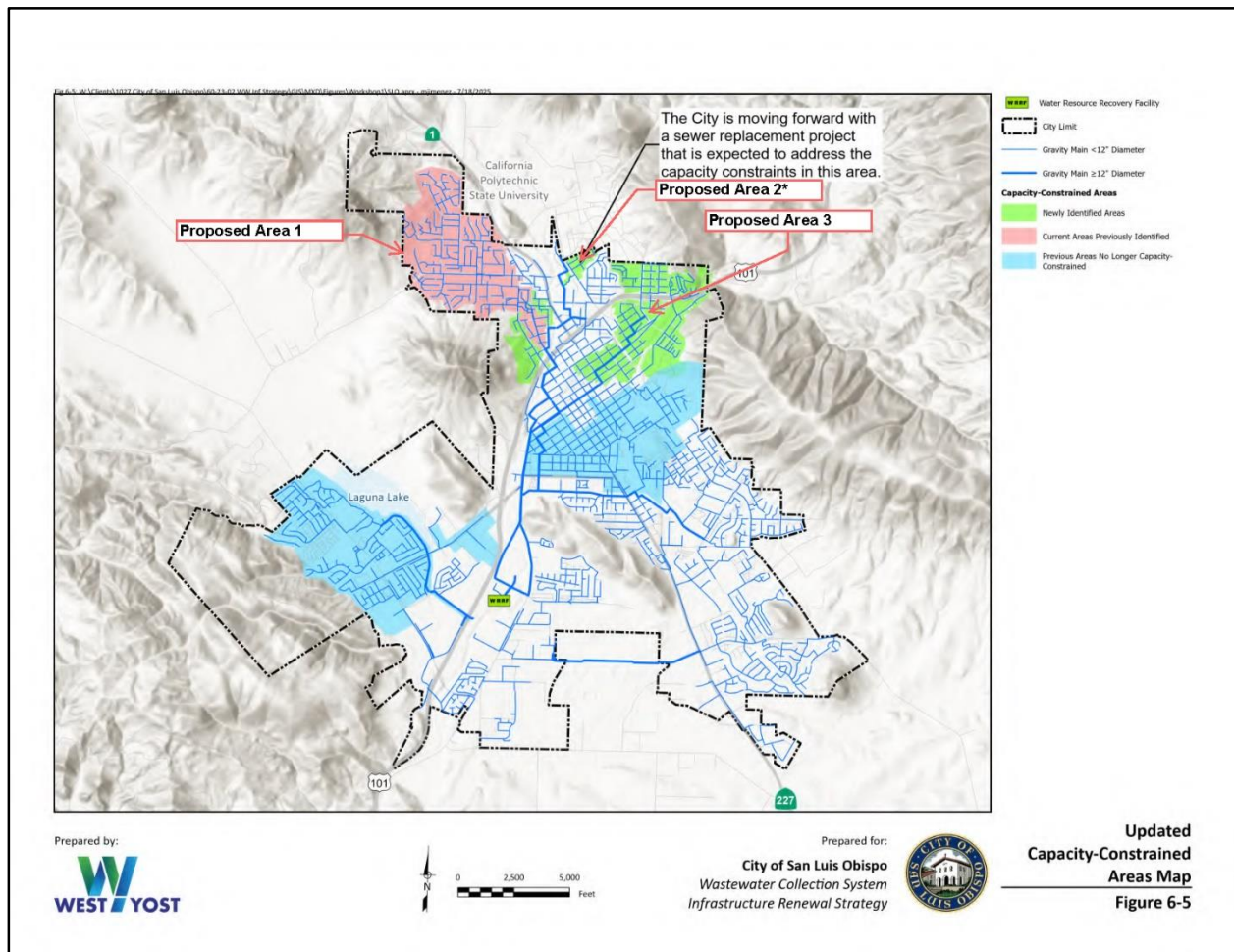


Figure 14: Old vs New Capacity Constrained Areas

Proposed Area 1 (Figure 15, presenting in Study Session Discussion Item #2; formerly known as the “Foothill” capacity-constrained area) retains much of the original boundaries and includes some minor revisions to reflect the current operating conditions of the system, as demonstrated in the 2023-24 sewer flow study, and discussed in the 2025 WWCIRS report. Updated conditions include consideration of the buildout and future flow conditions of the California Polytechnic State University, including development of the University’s Water Reclamation Facility (i.e. wastewater treatment plant), which is anticipated to be commissioned sometime in 2026 and will initially reduce flows to the City’s sewer system (but later increase with campus buildout).

Proposed Area 3 (Figure 16, presenting in Study Session Discussion Item #2; formerly known as the “Downtown” capacity-constrained area) has shifted significantly north, which reflects the current operating conditions of the system, as demonstrated in the 2023-24 sewer flow study. Proposed Area 3 is presented in Figure 16. Potential reasons for the removal of the downtown capacity-constrained area and the development of a new capacity-constrained area further north include 1) aging private and public infrastructure

in the northern area, as it has been ten years since the last assessment, 2) ground settlement and impacts from drought, such as increased root intrusion into legacy materials such as vitrified clay pipe, and 3) significant differences in the severity of weather monitored between the two flow studies (2012 vs 2023-24). California entered a multi-year drought beginning in 2012, which became one of the most severe in state history (lasting through 2016). The National Centers for Environmental Information [classified](#) large portions of the Central Coast (San Luis Obispo, Santa Barbara, and Monterey counties) as being in “severe to extreme drought” by late 2012.

Proposed Updates and Amendments for Council Discussion

Study Session Discussion Item #1: Should the Wastewater Flow (Private Sewer Lateral) Offset Program Continue?

Continuing the Wastewater Flow Offset Program provides several important benefits. It reduces I&I by requiring the replacement of deteriorated private sewer laterals, which helps prevent sanitary sewer overflows (SSOs) and improves overall system capacity. This proactive approach supports new development in capacity-constrained areas without requiring costly, large-scale public infrastructure projects and demonstrates compliance with SWRCB mandates, and reduces the City’s exposure to regulatory fines, litigation, or consent decrees. It also protects public and environmental health by minimizing sewer spills, distributing responsibility for infrastructure improvements between property owners and developers, and aligning San Luis Obispo with other California cities that have implemented similar programs.

However, the program also presents challenges. It places a financial burden on developers, potentially impacting project feasibility in capacity-constrained areas. The cost to replace a typical private sewer lateral ranges between \$10,000 and \$15,000 (average City fees are an additional \$2,000), but can exceed \$25,000 for more complicated projects. The program also adds significant administrative complexity as staff must manage case-by-case offset transactions and outreach. Some stakeholders have raised equity concerns, noting that the burden falls more heavily on new development rather than existing property owners with failing laterals. Alternatives such as shifting replacement requirements to the inspection-upon-sale process or addressing deficiencies through City-funded capital projects of City infrastructure alone could reduce these burdens on developers and staff. However, that approach may delay repairs and lessen the program’s proactive capacity-building impact.

Alternatives to continuing the existing Private Sewer Lateral Offset Program may include:

1. ***Dissolving the Wastewater Flow (Private Sewer Lateral) Offset Program and retaining existing Inspection Requirements and the Replacement Rebate Program.*** Under this alternative, private Sewer Lateral replacements would still

be conditionally required, such as after sanitary sewer overflows (spills). Risks associated with this alternative include increased potential for sewer spills resulting from intensified⁵ and new development associated with existing and future sewer capacity limitations (General Plan buildout conditions). As previously presented in Figure 5, sewer spills trends have greatly reduced, in part due to private sewer lateral replacements through the Wastewater Flow Offset Program. To manage these risks and to accommodate housing development, the City would be required to make significant additions to its Capital Improvement Plan to upsize and/or reroute sewer mainlines. This additional financial commitment from the City would be a burden on all rate payers, which would need to be evaluated in a future rate study. Further, dissolving the existing Private Sewer Lateral Offset program would shift the City into a reactive, rather than the current proactive approach, and increase the potential for future fines, litigation, and negative impacts to the public and environmental health of the community. Dissolving the existing offset requirements would require an update to the [City's Municipal Code](#), which staff anticipate being able to complete in 2026 if this alternative is chosen.

2. ***Council may direct staff to dissolve the Wastewater Flow (Private Sewer Lateral) Offset Program and replace it with requiring replacement of all Private Sewer Laterals located in capacity-constrained areas, identified as "Poor/Failed", during the Inspection Upon Sale process.*** While this alternative relieves the burden of resolving sewer capacity issues from the development community, it reallocates the burden to property owners, which may complicate property transactions. Complete elimination of the Offset Program would also increase potential risks associated with intensified development in capacity-constrained areas, which may not be resolved with the replacement of existing private infrastructure. Furthermore, to manage these risks and to accommodate housing development, the City would be required to make significant additions to its Capital Improvement Plan to upsize and/or reroute sewer mainlines. This additional financial commitment from the City would be a burden on all rate payers, which would need to be evaluated in a future rate study. This alternative would require additional work by staff to complete an update to the [City's Municipal Code](#), which staff anticipate being able to complete in 2026 if this alternative is chosen.
3. ***Council may direct staff to retain the existing Wastewater Flow (Private Sewer Lateral) Offset Program and add additional requirements for replacements of all Private Sewer Laterals conditioned as "Poor/Failed" during the Inspection Upon Sale process.*** This alternative acknowledges the shared impacts of new development and existing properties on sewer capacity constraints. This alternative would require additional work by staff to complete an

⁵ [City Municipal Code 13.08.020\(LL\)](#) Definitions ("Intensified" Development)

update to the [City's Municipal Code](#), which staff anticipate being able to complete in 2026 if this alternative is chosen.

Study Session Discussion Item #2: Should a General Plan Amendment Adopting the Staff-Recommended Capacity-Constrained Areas Map be Brought Forward for Adoption?

If Council direct staff to proceed with adopting a General Plan amendment updating the capacity-constrained boundaries as shown in Figures 15 and 16, staff plan to return to City Council on December 2, 2025, with an update to the Water and Wastewater Management Element of the General Plan, which will include the updated capacity-constrained (sewer conveyance) area boundaries. This process will consist of further public education and outreach, and consideration by the Planning Commission for a recommendation to City Council. Following the adoption of the General Plan Amendment, staff will conduct additional outreach to property owners and developers in the community through direct mailing, public workshops, and through the City's website and social media channels in early 2026.

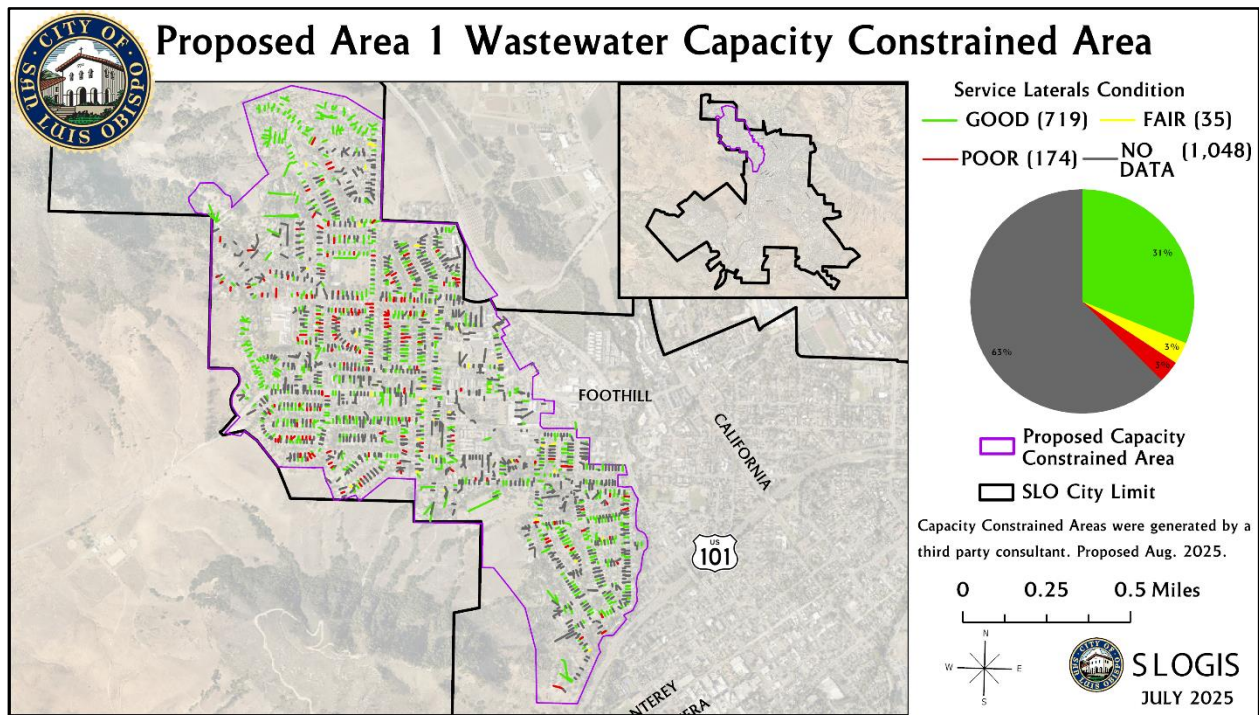


Figure 15: New Capacity Constrained Area (1), formerly "Foothill" with some modifications

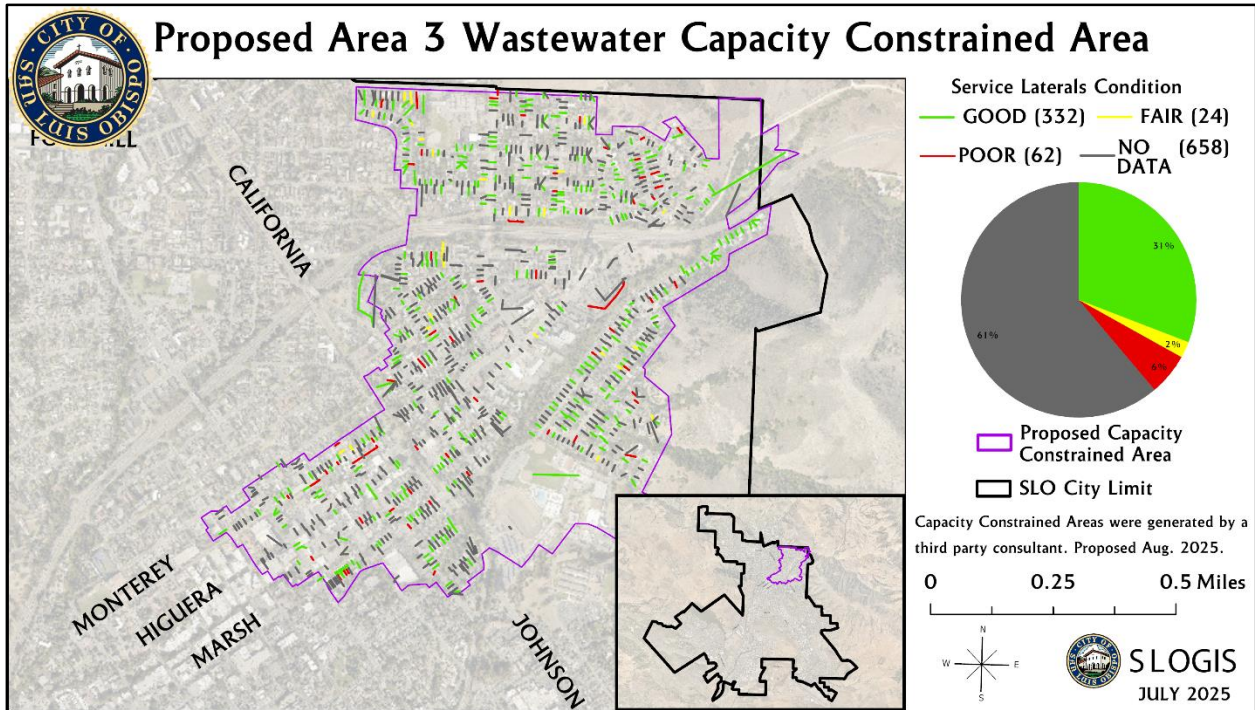


Figure 16: New Capacity Constrained Area (3), formerly "Downtown," with a significant relocation northward⁶

Study Session Discussion Item #3: Should Staff Further Evaluate a New Private Sewer Lateral Inspection Rebate to be Brought Forward to Council in December for Adoption via Resolution?

Proposed Private Sewer Lateral Inspection Rebate

As one of the remaining limitations of further progress in reducing sewer capacity issues is condition assessments of private sewer laterals, staff recommend establishing a new rebate associated with CCTV inspection. This recommendation results from numerous requests from public stakeholders to establish a funding source to increase the quality and quantity of the City’s existing dataset of private sewer lateral conditions.

Private sewer lateral conditions that are “unknown” account for 63% of the proposed Capacity-Constrained Area 1 and 61% of the proposed Capacity-Constrained Area 3. Incentivizing private property owners to complete condition assessments of these sewer laterals will result in increased awareness of private infrastructure conditions, which is anticipated to lead to increased replacements as well as improving the City’s database of private sewer lateral conditions, which is utilized for offset ”match-making”. The proposed Private Sewer Lateral CCTV Inspection Rebate amount of \$350 is significant enough to pay for all or most of the cost of inspection for most laterals in the City. Demand for the

⁶ Private Sewer Lateral Conditions in the Proposed Capacity-Constrained Area 3 have been obtained through the Sewer Lateral Inspection Program, which includes Inspection Upon Sale requirements.

rebate is unknown, and staff are proposing to fund the program through existing funding appropriated for I&I reduction and the Private Sewer Lateral Replacement Rebate Program, for Fiscal Years 25-26 (\$420,000) and 26-27 (\$420,000).

During the development of the 27-29 Financial Plan, or before then if prudent, staff would, if so directed, evaluate the effectiveness of the new rebate program and analyze competing demands associated with private sewer lateral replacement rebates before determining whether to continue the CCTV Inspection Rebate and/or to adjust available funding for both rebates. The success of the program will be highly dependent on successful stakeholder outreach and education and may take some time to be successful. Given this, at the end of each fiscal year, staff recommend carrying over any surplus funds from the rebate programs to the following fiscal year.

The Private Sewer Lateral Inspection Rebate is recommended to be available to *any* property located within the newly established Capacity-Constrained Areas for which the City's database indicates an "unknown" condition. This would include all residential and commercial properties. Due to funding limitations, staff are not recommending retroactive rebates, and only one rebate per parcel (which will likely exclude "air-space" parcels). The rebate amount would not exceed the cost of the inspection. If the cost of an inspection is less than \$350, the maximum rebate amount awarded would be 100% of the inspection cost.

Study Session Discussion Item #4: Should Staff Further Evaluate Expanding Eligibility for Private Sewer Lateral Replacement Rebates in Capacity-Constrained Areas to be Brought Forward to Council for Adoption in December via Resolution?

Proposed Private Sewer Lateral Replacement Rebate Expanded Eligibility

To accelerate improvement in the newly proposed capacity-constrained areas, staff recommend expanding eligible property types beyond single-family homes (which includes single-family home replacements associated with offset requirements) to include multi-family developments and commercial properties. This recommendation is the result of feedback received in response to a [Council Agenda Report](#) presented during the September 3, 2024, Council Meeting, to evaluate this option. Beyond the expansion of eligible property types (in capacity-constrained areas only), the same terms and conditions would apply, and staff proposes that each successful applicant receive a maximum of \$4,000. Similar to the proposed Private Sewer Lateral Inspection Rebate, the financial impacts of this expanded eligibility are unknown, and additional applications will be dependent on successful stakeholder outreach and education. Staff are proposing to fund the expanded program eligibility through existing funding allocated for the Private Sewer Lateral Rebate Program for Fiscal Years 2025-2026 (\$420,000) and 2026-2027 (\$420,000). During the development of the 27-29 Financial Plan, or before then if prudent, staff would evaluate the effectiveness of the expanded rebate program to determine whether to adjust available funding.

Previous Council or Advisory Body Action

At a Study Session on [April 4, 2017](#), the City Council provided direction to staff on a private sewer lateral program, a wastewater flow offset program focused on capacity-constrained areas, a rebate program, and a reduction in permit fees associated with a private sewer lateral program (specifically waiving the sewer “wye” connection fee). The City Council considered a private sewer lateral ordinance, which required mandatory repair or replacement of defective laterals upon transfer of ownership at its [May 16, 2017](#), meeting, where the ordinance was not approved due to insufficient inspectors and contractors that could complete repairs within the escrow closing time frame.

On August 20, 2019, the City Council adopted a [resolution](#) to establish a Private Sewer Lateral Replacement Rebate program, and a [resolution](#) adopting a new ordinance amending Chapter 13.08 of the San Luis Obispo Municipal Code, creating a sewer lateral inspection and offset program. On September 3, 2024, the City Council adopted a [resolution](#) amending the Private Sewer Lateral Replacement Rebate program, increasing rebate eligibility and the rebate amount.

Public Engagement

Prior to this Study Session, staff engaged with the development and realtor communities to discuss the challenges of the offset program and potential improvements to the larger private sewer lateral programs. Specifically, staff facilitated a focused Developer’s Roundtable meeting on July 1, 2025, which had good attendance (excluding City staff, 17 were in attendance). Staff also met with the San Luis Obispo Coastal Association of Realtors on August 13, 2025, regarding sewer lateral inspection requirements, the rebate program, and to discuss the potential alternatives mentioned in this report that would potentially require sewer lateral repair or replacement through the inspection upon sale process.⁷ On August 14, 2025, staff met with the San Luis Obispo Chamber of Commerce Legislative Committee to present the recommendations in this report, respond to questions, and solicit feedback. Discussions with local plumbers, realtors, and the development community about the City’s private lateral programs are ongoing, and staff have encouraged these communities to attend the August 19, 2025, City Council meeting to provide further feedback.

CONCURRENCE

The proposed Study Session topics and proposed updates to the capacity-constrained areas map and rebate programs have been discussed with the City’s Community Development Department and City Attorney’s Office.

⁷ Presently, private sewer lateral *inspections* are required upon “change in ownership,” and the inspection results must be disclosed to the purchaser of the property (SLOMC 13.08.395(C)(1)(g)), but repair/replacement of poor or failed laterals is not triggered by sale alone (see SLOMC 13.08.395(C)(1)(h).)

ENVIRONMENTAL REVIEW

The California Environmental Quality Act (CEQA) does not apply to the recommended action to receive and file a presentation on the 2025 WWCIRS and provide strategic direction on next steps, because this action does not constitute a “Project” under CEQA Guidelines Sec. 15378. The City Council’s action does not include adoption or approval of, or commitment to, a policy, program, or General Plan Amendment at this time, and does not include approval of any action that would have any physical effect on the environment. Should strategic direction be provided that would lead to the initiation of a Project, that Project would be evaluated for CEQA compliance.

It is expected that any future action, which would require Council consideration and approval, including but not limited to modifications to the Wastewater Flow (Private Sewer Lateral) Offset Program, and any new or amended rebate programs would be exempt from the provisions of CEQA, pursuant to CEQA Guidelines Sections 15307 (Actions by Regulatory Agencies for Protection of Natural Resources) and 15308 (Actions by Regulatory Agencies for the Protection of the Environment) because the intent of the Programs is to reduce I&I and the potential for SSOs and to incentivize sewer lateral replacements. Implementation of these Programs result in the replacement of existing private sewer laterals serving existing development, which are exempt from CEQA pursuant to CEQA Guidelines Section 15303 (New Construction or Conversion of Small Structures) because the replaced sewer laterals would serve existing development in existing urbanized areas, and the replacement of poorly functioning sewer laterals would not have a significant adverse impact on the environment. Continued implementation of these Programs would have a beneficial impact on the environment by reducing the potential for I&I and overflows due to reduced flows from groundwater and stormwater.

If Council directs staff to dissolve and discontinue the Wastewater Flow Offset Program, private sewer lateral replacements would still be conditionally required, such as after sanitary sewer overflows (spills) or other Municipal Code violations. Dissolution of the Offset Program at this time may result in an increased potential for sewer spills and associated water quality and environmental effects in identified capacity-constrained areas. The need for environmental review would be further evaluated if Council directed staff to discontinue the program.

FISCAL IMPACT

N/A

Budgeted: Yes/No
Funding Identified: Yes/No

Budget Years: 2025-27

Fiscal Analysis:

The 2025-27 Financial Plan and Capital Improvement Program identifies \$420,000 annually from the Sewer Fund for Inflow and Infiltration Reduction to support the existing rebate program. If Council directs staff to proceed with the recommended rebate programs, subject to subsequent Council approval and adoption, these funds would be used to fund the proposed inspection and replacement rebate programs.

While the current fiscal year includes sufficient funding for these activities, actual demand, especially from commercial/multi-family sectors and new rebate applicants, remains uncertain. As such, staff would monitor program participation and fund utilization during FY 2025-26 and FY 2026-27 and evaluate program effectiveness and remaining funding.

Staff costs associated with Program implementation are absorbed within existing staffing levels across the Utilities Department and supported by coordination with the Community Development and Finance Departments. Broader wastewater system management, including capital planning, regulatory compliance, and maintenance activities, is funded through the City’s Sewer Enterprise Fund, as outlined in the adopted Financial Plan.

Funding Sources	Total Budget Available	Current Funding Request	Remaining Balance	Annual Ongoing Cost
General Fund	\$0	\$	\$	\$
State				
Federal				
Fees				
Other:				
Total	\$0	\$	\$	\$

ALTERNATIVES

The four study session questions identified by staff are presented below, in addition to staff-identified alternatives for Council’s consideration and discussion.

1. Study Session Discussion Item #1: Should the Wastewater Flow (Private Sewer Lateral) Offset Program Continue?

The following are presented as alternatives to Study Session Discussion Item #1, where staff have requested Council to consider whether to continue the existing Private Sewer Lateral Offset Program:

- a. **Council may direct staff to dissolve the Private Sewer Lateral Offset Program and retain existing Inspection Requirements and the Replacement Rebate Program.** Private Sewer Lateral replacements would still be conditionally required, such as after sanitary sewer overflows (spills). Risks associated with this alternative include increased potential for sewer spills resulting from intensified and new development associated with existing and future sewer capacity limitations (General Plan buildout conditions). Further, dissolving the existing Private Sewer Lateral Offset program would shift the City into a reactive, rather than the current proactive approach, and increase the potential for future fines, litigation, and negative impacts to the public and environmental health of the community. Dissolving the existing offset requirements would require additional time associated with an update to the [City's Municipal Code](#), which would not be feasible until sometime in 2026.
 - b. **Council may direct staff to dissolve the Private Sewer Lateral Offset Program and replace it with requiring replacement of all Private Sewer Laterals located in capacity-constrained areas, conditioned as "Poor/Failed", during the Inspection Upon Sale process.** While this alternative relieves the burden of resolving sewer capacity issues from the development community, it reallocates the burden to property owners, which would increase property transaction burdens and timelines. Complete elimination of the Offset Program would also increase potential risks associated with intensified development in capacity-constrained areas, which may not be resolved with the replacement of existing private infrastructure. This alternative would require additional work by staff to complete an update to the [City's Municipal Code](#), which would not be feasible until sometime in 2026.
 - c. **Council may direct staff to retain the existing Private Sewer Lateral Offset Program and add additional requirements for replacements of all Private Sewer Laterals conditioned as "Poor/Failed" during the Inspection Upon Sale process.** This alternative acknowledges the shared impacts of new development and existing properties on sewer capacity constraints. This alternative would require additional work by staff to complete an update to the [City's Municipal Code](#), which would not be feasible until sometime in 2026.
2. **Study Session Discussion Item #2: Should a General Plan Amendment Adopting the Staff-Recommended Capacity-Constrained Areas Map be Brought Forward for Adoption?**

The following is presented as an alternative to Study Session Discussion Item #2, where staff have requested Council to consider adoption of a General Plan amendment updating the capacity-constrained boundaries map:

- a. **Council may direct staff not to amend the General Plan capacity-constrained boundaries map.** Impacts of this alternative include requiring private sewer lateral replacements in areas that have not been identified as

capacity-constrained by the 2025 WWCIRS. By not updating the capacity-constrained boundaries map, staff would be carrying out a program that would be informed by data from ten years prior, which does not take into account the current conditions informed by the 2025 WWCIRS.

3. Study Session Discussion Item #3: Should Staff Further Evaluate a New Private Sewer Lateral Inspection Rebate to be Brought Forward to Council in December for Adoption via Resolution?

The following is presented as an alternative to Study Session Discussion Item #3, where staff have requested Council to provide direction to staff to evaluate establishing a new Private Sewer Lateral Inspection Rebate.

a. Council may direct staff not to proceed with the evaluation of a new Private Sewer Lateral Inspection Rebate. Impacts of this alternative may be reduced data provided to the City that would help developers and property owners locate private sewer laterals to be replaced through offset requirements.

4. Study Session Discussion Item #4: Should Staff Further Evaluate Expanding Eligibility for Private Sewer Lateral Replacement Rebates in Capacity-Constrained Areas to be Brought Forward to Council for Adoption in December via Resolution?

The following is presented as an alternative to Study Session Discussion Item #4, where staff have requested Council to provide direction to staff to evaluate expanding eligibility criteria for Private Sewer Lateral Replacement Rebates:

a. Council may direct staff not to proceed with evaluating expanding eligibility criteria for Private Sewer Lateral Replacement Rebates. Impacts of this alternative may include a reduction of private sewer lateral replacements. Further, by limiting eligibility to only single-family home projects, excluding multi-family or commercial properties, as the current program requires, staff believe there would be ongoing equity concerns and limitations to address private infrastructure repairs in the most critical locations (capacity-constrained areas). Limiting current eligibility to only single-family homes would slow progress and improvement in these areas.

ATTACHMENTS

A - 2025 Wastewater Collection System Infrastructure Renewal Strategy (Reading File)

B - Updated proposed sewer capacity-constrained boundaries map

C - Report Figures from this Council Agenda Report. High Resolution Figures are available through the following link:

<https://opengov.slocity.org/WebLink/Browse.aspx?id=212718>