

SEWER SYSTEM EXTENSIONS

Extension of sewer systems and connection to unsewered properties are comprised of two primary components, on-site improvements which can be best characterized as those improvements that occur on private property (e.g., Pierce County Public Works and Utility permits and connection charges, plumbing turnaround (if required), septic tank pumping & filling, gravity building sewer installation, grinder pump installation (if required), and landscape restoration and off-site improvements, which can be best described as those improvements that occur in the public ROW (e.g., mobilization, sewer main and sewer stub construction, pump station construction (if required), pavement restoration, traffic control, engineering & design, inspection, administration, and easements).

As proposed, the City would be responsible for all activities and costs associated with extending sewers into existing neighborhoods, which have been or may experience septic system failures. Upon completion of the constructed sewer facilities, private property owners adjacent to the new sewer facilities would be required to connect at their cost.

UTILITY LOCAL IMPROVEMENT DISTRICT (ULID)

In 2001, the City evaluated the feasibility of using ULIDs to finance the proposed Peck area sewer extensions. This evaluation is defined in the November 2001 Economic Enhancement/Feasibility Study for Proposed Sewer Expansion Project report, completed for the City by Macaulay & Associates, Ltd. (2001 ULID Feasibility Report). Economic enhancement is the term used in the 2001 ULID Feasibility Report to mean “the estimate of market value increase, if any, for a defined property segment resulting from completion” of the Peck area sewer extensions. The 2001 ULID Feasibility Report indicated an estimated city-wide economic enhancement ranging from approximately \$8.4 million to \$10 million, or \$8,000 to \$10,000 per single-family parcel.

There are two methods of forming a ULID, petition and resolution. A petition is initiated by the proponents of the ULID, and the resolution would be initiated by Pierce County Council. RCW 36.94.220(b) states that County ULIDs can be formed within a city only with the written consent of the city.

There are a number of methods for calculating ULID assessments, and these methods are not discussed in this report. State statutes specify, however, that the assessment per parcel must not exceed the special benefit of the improvement to that parcel, which is defined as the difference between the fair market value of the property before and after the local improvement project. Additionally, assessments must be proportionate to one another. A corollary to these principles is that property not benefited by the improvements may not be assessed.

If a parcel in a sewer extension ULID is assessed an amount equal to the economic enhancement, ULID assessments could provide between \$8.4 and \$10M toward the cost of sewer extensions.

Neither the City nor Pierce County has completed public outreach efforts to assess the support for a ULID with the exception of the Park Royal neighborhood. Anecdotally, the City has received inquiries from residents desiring a sewer connection. However, the feasibility of ULIDs relative to the petition method of formation has not been established. Also at this time, the City does not anticipate forming improvement districts without support of the affected properties.

GRANT FUNDING

Grant funding for sewer system extensions is a possibility, and Table 1 describes potential grants. However, grants are unlikely and even if available, they will not be a substantial dollar amount compared with the total cost of the sewer extensions.

A small amount of Community Development Block Grant (CDBG) grant funding is possible, although the sewer extension must be tailored to meet need-based eligibility requirements. CDBG funds can be directed toward specific qualifying parcels and can be used for improvements on private property. In addition to offsetting public facility capital costs, CDBG funds could be used to construct side sewers or payment of ULID assessments for eligible properties.

The Community Economic Development Board (CERB) offers grants and loans for qualifying projects, with the primary goal being job creation or job retention. Although primarily a loan program, grant funding is available in “unique circumstances.” Grant funding is limited and CERB indicates that grants are only considered when all loan repayment sources are exhausted.

Centennial Clean Water Fund (CCWF) grants are not considered likely because one of the grant eligibility thresholds is based on the overall level of sewer rates. A large pilot program/rate surcharge would be required to reach the grant eligibility threshold.

**Table 1
Potential Grants**

Grant Program	Agency	Maximum Grant Amount	Eligibility Requirements	Notes
Community Development Block Grant (CDBG) (1)	Pierce County Dept. of Community Services	N/A	Must assist homeless, low-income, or moderate-income individuals or families. Can target improvements for specific qualifying parcels and can be used for facilities on private property.	Annual application cycle starting in November.
Community Economic Revitalization Board (CERB) (2)	Washington State Office of Trade and Economic Development	\$300,000	Grants are available only after all potential sources of loan repayment revenue have been exhausted. Requires eligible private sector commitment ("bird-in-hand" jobs).	Main program goal is job creation and retention of existing jobs.
Centennial Clean Water Fund (CCWF)	Washington State Dept. of Ecology	\$5,000,000	Must document hardship. Hardship is demonstrated when project costs for construction of	To meet hardship criteria, a large pilot plant/rate surcharge would be required.

			facilities result in total cost for debt service and O&M of 1.5% of median household income.	
US Economic Development Administration (USEDA)	USEDA	\$1,000,000	Program is similar to CERB	Projects are selected locally by an economic development district and submitted to Congress for competitive selection of other US regions. Apply through local congressional representative's office.
US EPA State and Tribal Assistance Grant	Office of Local Congressional Representative	\$2,000,000		

Notes:

- (1) Refer to www.co.pierce.wa.us/pc/Abtus/ourorg/comsvcs/cd/cdbgesg.htm for more information
- (2) Refer to www.oted.wa.gov/ed/cea/cerb/ for more information

Although the possibility of significant amounts of grant funds is small, City staff will continue to monitor opportunities for grant funding and pursue grant funding as appropriate.

DEBT FINANCING

Debt financing alternatives include the following, all of which would be repaid with surcharge revenues:

- Public Works Trust Fund (PWTF) loans
- State Revolving Fund (SRF) loans
- Revenue bonds
- Community Economic Revitalization Board (CERB) loans

PWTF and SRF loans are issued by state agencies and combine low interest rates with a 20-year repayment period. The interest rate fluctuates with market conditions, and currently ranges from 0.5 percent to 1.5 percent, depending on the amount of local matching funds provided by the loan recipient. Revenue bonds can be issued with a wider range of repayment periods, but 20 years is common for financing sewer system improvements. The CERB program also offers loans of up to \$1,000,000, which, as described above, are tied to job retention and job creation.

Debt financing does not significantly change the total number of projects that would be completed over the 20-year period. Debt financing means that you can do the projects sooner. With debt funding, the debt proceeds will fund several projects, and the debt service is repaid over the 20-year period. With pay-as-you-go funding, a similar amount of projects are completed, but they are built gradually over the 20-year period.