



County of Santa Cruz

HEALTH SERVICES AGENCY

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ENVIRONMENTAL HEALTH

April 21, 2000

AGENDA: May 9, 2000

BOARD OF SUPERVISORS

County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

Subject: Financial Risk Sharing for Septic System Repairs

Dear Board Members:

The Board of Supervisors formed an Environmental Health Services Task Force in February 1999 to review the County's sewage disposal program and make recommendations for administrative and procedural changes and improvements. Your Board accepted the final report of the Task Force on May 9, 1999. One of the report's adopted recommendations related to the significant financial costs to some property owners for repair of failing septic systems in areas where conventional solutions will not work. It was recommended that Environmental Health, in conjunction with the State Regional Water Quality Control Board, begin exploring ways of mitigating those costs through a concept for development of a fund, analogous to the State's Gas Tank Fund, which would provide for sharing the risk and the burden, which is presently an individual responsibility, on a collective basis. A status report on financial risk sharing concepts was to be brought to the Board in April 2000. The status report was subsequently deferred to May 9, 2000. This report is prepared and submitted pursuant to those directives.

A number of ways of potentially providing financial assistance to property owners faced with significant septic system repair costs have been evaluated. No readily apparent source of monies to create a septic tank repair fund from which grants could be made available has been identified. The following discussion presents a synopsis of the alternatives that have been considered to date.

Legislative Alternatives

Pending legislation, AB 885 (Jackson), if enacted, would create a mandate that certain onsite sewage disposal systems (new systems within the Coastal Zone; failing systems statewide) meet a set of minimum construction, performance, and operation standards. A section of the bill would encourage the State Water Resources Control Board to assist private property owners

whose costs of compliance exceed a certain level. The program would be for loans, not grants. A likely source of funding for the costs of AB 885 implementation is the recently approved State Proposition 13 bond measure.

Proposition 13 is a very broadly worded initiative, and it may be a source of future funding for **nonpoint** contamination issues and watershed improvements. **Onsite** sewage disposal improvements could potentially be considered under several sections of the bond measure. Environmental Health will continue to monitor the progress of implementation of Proposition 13 and the programmatic funding it is expected to create.

Another proposed bill, AB 1865 (Strickland), was originally thought to be another potential source of funding for replacement of septic systems. It has been amended to instead be a source of grants to help offset the costs of connection to public sewer, and reportedly will be further amended to limit its applicability to only Ventura County.

Federal Funding Sources

The Federal government provides a number of programs to assist rural communities with infrastructure problems, including water supply and sewage disposal. Environmental Health has looked into several of these programs. Unfortunately, these programs have limitations on community income levels. The average income level in Santa Cruz County is too high for local rural communities and individuals to qualify for these programs. The County could consider working with Congressman Farr to explore the possibility of indexing income requirement to the cost of living in the county or the state in order to make such funding assistance more feasible.

Local Funding Sources

Environmental Health manages County Service Area 12, which provides funding to improve onsite wastewater management countywide, with a particular emphasis on the San Lorenzo River Watershed through a zone of benefit, CSA 12A. CSA 12 is subject to Proposition 218 requiring a 2/3 vote of the public in order for service rates to be increased. Thus, the ability to raise additional revenues within CSA 12 for creation of a financial risk sharing fund is somewhat problematic. However, should your Board so direct, this possibility could be further pursued.

There is an abatement fund within CSA 12. However, this fund is structured such that when it is used to perform an abatement on private property, the costs of repairing or replacing the septic system being abated becomes a lien on the property. Essentially, the process is a type of loan, not a grant process.

The abatement fund does generate interest each year. It is possible that the abatement fund could be operated as an endowment fund, which would allow the interest earned each year to be used for creation of a financial risk sharing fund, without reducing the principle balance of the abatement fund. However, the amount of money available from the endowment fund would be only about \$10,000 each year. One significant repair could easily exceed that amount. If grants were limited to no more than \$1000, funding assistance could be provided to approximately 10

repairs a year.

Local Loan Program

Loans for septic system repairs have been available through the State Water Resources Control Board which has created a linked deposit program with Bank of America. Environmental Health acts as the local facilitator by making information available about the loan program and helping potential applicants complete the forms for submission to the loan program. EHS inspects the system repair and certifies its completion. Unfortunately, the loan program has been used only once since its creation. The possible reasons for the low interest is that the program is not a cash grant, rather it remains a loan that must be paid back. The interest rate, while less than commercial rates, is not so low that it is a major advantage. Potential applicants may prefer to obtain regular financing and a commercial line of credit for the point or two more in cost because the commercial line of credit allows more flexibility in use of the loan for a variety of home improvement projects. The septic system loan is limited only to septic system repairs.

In summary, no viable funding source has yet been identified for creation of a fund to assist property owners with the costs of repairing or replacing their septic system in areas where conventional solutions do not work. Environmental Health will continue to track State legislation and the implementation of the Proposition 13 bond measure for possible future opportunities for funding. In addition, Environmental Health will continue to evaluate Federal programs that might have local funding possibilities. Environmental Health will also more actively advertise and promote the availability of the local linked deposit loan program for septic system repairs.

It is RECOMMENDED that your Board accept and file this report.

Sincerely,

Rama Khalsa

Rama Khalsa, Ph.D.
HSA Administrator

Diane Evans

Diane Evans, REHS
Environmental Health Director

RECOMMENDED:

Susan A. Mauriello

Susan A. Mauriello
County Administrative Officer

cc: CAO

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HSA Administration
Environmental Health