

## Sewer Conservation Loan Program

The mission of the City of Tacoma Sewer Utility is: “to provide reliable low cost sewer services that protect the environment, satisfy regulatory criteria and meet customer needs.”

To support that mission, Sewer Utility offers a loan program for Tacoma Sewer Utility customers to help purchase and install materials and equipment that will reduce pollutants and conserve conveyance and treatment capacity in the City’s storm and sanitary sewers, and reduce pollutants in discharges to waters of the State.

The Director of Public Works administers the Sewer Conservation Loan Fund. The program is operated by Sewer Utility Operations Division with the assistance of the Finance Department.

Funding for Tacoma’s Sewer Conservation Loan program comes from the Sewer Utility Fund, which is in turn funded by fees charged for providing sewer services. Loan Program Administrative costs are charged to the Sewer Utility Operating Fund. Filing fees, loan review fees, title insurance, and other expenses specific to each loan are covered by fees charged to the loan applicant.

### Background:

Washington State law has long provided public utilities with the authority to loan money from funds collected from the sale of energy services for energy conservation projects. As a result of a suggestion made by Tacoma’s Sewer Utility Customer Advisory Committee, an amendment to that law, authorizing water and sewer utilities to make conservation loans, was drafted and put before the voters in November of 1997. The voters supported the issue. Authority for the City of Tacoma to provide sewer conservation loans was granted by the State of Washington in an amendment to Article VIII, Section 10 of the Washington Constitution, RCW 35.67.360, effective July 1, 1998. City Council Ordinance 12.08.640, dated December 8, 1998, authorized staff to proceed with detailed implementation of the conservation loan program.

## Sewer Utility Conservation Loan Program Policies and Procedures

### I. Applicant Eligibility:

To be eligible for assistance under the Sewer Conservation Loan Program, an applicant must:

- A. Be a direct City of Tacoma Sewer Utility customer.
- B. Submit a complete Sewer Conservation Loan Application (including loan application fee for commercial loans.)
- C. Prove credit worthiness and ability to repay the loan.
- D. Use loaned funds to purchase and install materials or equipment that will help conserve conveyance or treatment capacity in the municipal sewer system, or reduce pollution in discharges to the sanitary sewer or waters of the state.

### II. Project Eligibility:

Funds loaned through the Sewer Conservation Loan Program may be used for projects that will help to:

- A. conserve treatment capacity in the municipal sanitary sewage treatment system by reducing pollutant or flow levels in discharges to the sanitary sewer;
- B. remove pollution from the municipal storm drainage system;
- C. conserve hydraulic capacity in the storm or sanitary conveyance system; or
- D. reduce pollution in discharges to waters of the state.

Eligible projects may include, but are not limited to: industrial wastewater pretreatment equipment, stormwater pretreatment equipment, sanitary sewer connections where on-site systems have failed, and removal of significant stormwater infiltration and inflow to the sanitary sewer.

### III. Financing:

The Tacoma Sewer Utility has discretion to establish loan terms that meet project needs and the intentions of the program, under the direction of the Director of Public Works. The following conditions will guide the selection of loan commitments:

A. Loan Amount and Minimum Payment

1. Loans will be limited to 90% of the eligible project cost.
2. The maximum amount that will be loaned for projects on residential property will be \$10,000. Multi-family properties will be considered residential property for loans of \$10,000 or less.
3. The maximum amount that will be loaned for projects on commercial property will be \$100,000. Multi-family properties will be considered commercial property when loans exceed \$10,000.
4. Unless otherwise specified in the Loan Agreement, the minimum payment on residential loans shall be \$25 per month, and the minimum payment on commercial loans shall be \$100 per month.

B. Loan Term:

1. The term of the loan will be based upon borrower's cash flow and the rate at which it is reasonable to expect repayment. However, the maximum term for both residential and commercial loans is ten (10) years.

C. Loan Fees

1. Residential:

- a. A fee of \$25 shall be collected when loan is accepted to cover filing and release fees. Checks shall be made to the City Treasurer.

2. Commercial:

- a. A non-refundable application fee of \$250 shall be submitted to Community Development Corporation with commercial loan applications.
- b. Fees and expenses associated with the loan shall be charged to the applicant at the time of closing. They may include, but are not limited to: Title Insurance; Credit Report; Recording Fees; Flood Certification; and Appraisal costs.

D. Interest Rate:

1. The interest rate applied to both residential and commercial loans shall be equal to 200 basis points (2%) less than the Prime Rate of Interest as published in the Wall Street Journal on the effective date of the loan.

E. Collateral

1. All loans shall be secured by a lien against the benefited real property or a security interest in the equipment benefited. Sewer Utility will assume no less than second position.
2. When real property is not available and benefited equipment is offered as security, additional collateral may be required.

F. Late Payment Penalties

1. A fee equal to 5% of the scheduled payment shall be charged for each 30 day period when a payment is more than ten (10) days past due.
2. If no payment is made for three consecutive months, the loan shall be deemed in default and appropriate action shall be taken. This action may include but is not limited to: termination of water service to secured property or owner's residence if secured property is occupied by tenant; immediate demand of the outstanding balance; or a credit hold on rental property. Remedy shall be determined by the Loan Committee.

G. Prepayment

1. There shall be no penalty for prepayment of the loan. Any amount paid in excess of the regular monthly payment will be applied to the loan principal. All or part of the loan balance may be paid at any time.

H. Subordination

Subordination of the City's loan position may be permitted under the following conditions:

1. The Borrower must submit a letter requesting a subordination agreement and stating what the City's recorded lien position will be after it is granted.
  2. For residential loans, a pay down of the loan is required on residential loans, in the amount of \$250, which is applied to the remaining loan balance. If the City's recorded lien is lowered below 2<sup>nd</sup> position by the subordination agreement, an additional \$100 pay down will be required.
  3. Additional subordination requests will require 25% of the remaining balance to be paid at the time of subordination, with a minimum pay down of \$250.
  4. For commercial loans, a non-refundable \$250 fee shall be submitted to Community Development Corporation for reevaluation services. Paydown of the balance may also be required.
  5. A pay down is only for the subordination transaction and may not be used for future loan payments.
- I. Credit Evaluation
1. For Residential loans, utility payment history shall be evaluated. If no payment records are available or payment history is clouded, the applicant may be required to furnish a current credit report. If utility account has 12 or more credit points, the loan may be denied.
  2. For Commercial loans, a Community Development Corporation loan specialist will evaluate credit worthiness based on information provided by applicant.
- J. Signature Authority
1. The Sewer Operations Division Manager shall sign Loan Agreements on behalf of the City for loans of \$5,000 or less.
  2. The Assistant Public Works Director/Utility Services shall sign Loan Agreements on behalf of the City for loans of more than \$5,000.