Resolution No. 26-08

A RESOLUTION EXPANDING THE DISTRICT'S RESIDENTIAL FINANCING PROGRAM, ESTABLISHING A TWO-YEAR SEPTIC-TO-SEWER FINANCING PILOT PROGRAM, AND AUTHORIZING AN INITIAL $250,000 ALLOCATION FROM THE DISTRICT'S CAPITAL RESERVE

WHEREAS, in adopting this Resolution, the Board of Directors ("Board") of the Ironhouse Sanitary District, Contra Costa County, California ("District") finds that:

A. On September 16, 2025, the Board adopted Resolution No. 25-06 establishing a voluntary financing program to assist owners of single-family residential properties in legalizing unpermitted sewer connections; and

B. The existing financing program allows eligible District capacity, connection, permit, inspection, sewer service, and administrative charges to be financed over a period not to exceed ten (10) years, with annual payments collected on the property tax roll; and

C. District records identify approximately 2,754 parcels with existing homes that are not currently assessed for sewer service, representing approximately 20 percent of the District's currently served parcels. Although not all of these properties can reasonably connect because public sewer is not available in all areas, some have sewer infrastructure nearby and may be candidates for conversion; and

D. Conversion from an individual septic system to public sewer can increase utilization of existing District collection and treatment infrastructure, support public health and environmental protection, and add customers who contribute ongoing sewer service revenue; and

E. For a typical single-family residence, current District connection-related charges are approximately $11,000 to $12,000, while private sewer lateral construction and septic abandonment may add approximately $15,000 to $29,000, resulting in total conversion costs that can exceed $40,000; and

F. These upfront costs can prevent otherwise feasible sewer connections from moving forward, and the Board desires to reduce this financial barrier while maintaining each participating property owner's responsibility to repay all financed costs; and

G. The Board finds that expanding financing to qualifying property owners voluntarily connecting from septic to public sewer provides a more equitable financing opportunity comparable to that currently available to property owners legalizing unpermitted sewer connections; and

H. The Board desires to establish the expanded program initially as a two-year pilot program to evaluate participation, completed conversions, amounts financed, repayment performance, administrative requirements, and overall program effectiveness; and

I. The Board desires to allocate $250,000 from the District's Capital Reserve as initial working capital for eligible third-party construction costs during the first year of the Pilot Program. Amounts advanced will be repaid with interest, allowing the District to invest in customers and the sewer system through secured financing at a market-based rate rather than maintaining the allocated funds solely in traditional fixed-income investments; and

J. The District Board is authorized to establish and collect fees to cover the District's proportionate costs of regulating, providing permits, and providing connections and capacity for each new customer served by the District's sewer system, in accordance with California Health and Safety Code sections 6520.2 and 6520.5, with a two-thirds vote of the Board required to approve rates for ongoing operation and maintenance services.

NOW, THEREFORE, BE IT RESOLVED, by the Board that, based on the foregoing facts and circumstances and on the entire administrative record, the Board hereby finds and determines as follows:

1. The Board does hereby find that the above-referenced recitals are true and correct and material to the adoption of this Resolution.

2. This Resolution is not subject to the California Environmental Quality Act ("CEQA") pursuant to Public Resources Code Section 21080(b)(8), and California Code of Regulations Section 15273 (of the "CEQA Regulations") because it establishes a financing program that allows structured rate payments and establishes a fee to meet operational expenses.

3. **Two-Year Septic-to-Sewer Financing Pilot Program.** The Board hereby establishes a voluntary two-year Septic-to-Sewer Financing Pilot Program ("Pilot Program") for qualifying existing single-family residential properties converting from an individual septic system to the District's public sewer system. Under the Pilot Program, the District will pay the initial costs of the conversion from septic to sewer, and the owner of the residential property will repay the District under the terms described in this resolution.

SEPTIC-TO-SEWER FINANCING PILOT PROGRAM

1. **Eligibility.** The Pilot Program shall be available to owners of existing single-family residential properties utilizing an individual septic system where the District determines that public sewer service is available and connection to the District's sewer system is feasible. Participation shall be voluntary and shall not independently create an obligation to connect to the District's sewer system.
2. **Eligible District Charges.** Eligible District Charges may be financed under the Pilot Program, subject to written approval by the General Manager, including: capacity fees, connection fees, plan review fees, inspection fees, sewer service charges, administrative costs, and other District charges associated with the approved sewer connection. There shall be no dollar cap on eligible District charges financed under the program.
3. **Eligible Third-Party Costs.** Eligible Third-Party Costs may be financed under the Pilot Program, subject to written approval by the General Manager, to the extent a third-party provides services and incurs costs directly associated with conversion from septic to public sewer, including:
    a) Construction of the private sewer lateral necessary to connect the residence to the District's sewer system;
    b) Required abandonment of the existing septic tank and septic system; and

c) Other directly related construction costs determined eligible by the General Manager or designee pursuant to the program guidelines.

District funding of third-party costs shall not exceed **$25,000 per participating property**.

The General Manager or designee shall establish procedures for verifying eligible costs and for payment of approved third-party costs. The District may require payment to be made directly to licensed contractors or other service providers rather than reimbursing the property owner.

4. **Financial Terms.** Unless otherwise provided in this Resolution, financing provided under the Pilot Program shall utilize the financial terms established for the District's existing residential financing program. The Pilot Program shall be subject to the following terms:

   a) A maximum repayment period of twenty (20) years;
   b) Early payoff without penalty;
   c) A program setup fee as established by the District's adopted fee schedule;
   d) An interest rate equal to the 20-year U.S. Treasury rate plus 0.50%, as updated through the District's adopted fee schedule. As of October 1, 2026, the 20-year U.S. Treasury rate was 5.64%, resulting in an initial S2S Program interest rate of 6.14%; and
   e) Annual payments collected on the property tax roll in the same manner as sewer service charges.

5. **Security and Enforcement.**
   a) Each participant shall execute a promissory note and a deed of trust to be recorded against the parcel, including due-on-sale and due-on-refinance clauses.
   b) Payments shall be collected from participants on the tax rolls concurrently with the collection of sewer service fees, pursuant to Government Code § 54345 et seq. and through the Contra Costa County Teeter Plan.

6. **Initial Pilot Program Funding. The Board hereby authorizes an initial allocation of $250,000 from the District's Capital Reserve to provide working capital for eligible third-party construction costs during the first year of the Pilot Program.**

   Financing of District fees and charges shall not be charged against the $250,000 allocation because those amounts do not require a District cash outlay and will instead be collected over the applicable financing term.

   At the maximum $25,000 per-property third-party financing amount, the initial allocation may support at least ten (10) conversions and potentially more if average financed costs are lower. Amounts advanced for eligible third-party costs shall be repaid to the District with interest. Principal and interest received may replenish the Capital Reserve or, subject to future Board direction and applicable program requirements, support future financing activity. No additional appropriation for third-party construction costs beyond the initial $250,000 allocation is authorized by this Resolution. Any additional funding, including funding for the second year of the Pilot Program, shall be subject to future Board consideration and approval.

7. **Program Administration.**
    a) The General Manager, or designee, shall prepare and administer program guidelines establishing eligibility requirements, application procedures, eligible third-party costs, contractor requirements, cost verification and payment procedures, financing agreements, promissory notes, deeds of trust, outreach materials, and other documents necessary to implement the Pilot Program.

    b) The General Manager, or designee, is authorized to execute such documents and take such administrative actions as are necessary to implement the Pilot Program consistent with this Resolution.

    c) Participation shall be subject to availability of appropriated Pilot Program funds. Consideration of an application shall not obligate the District to provide financing if available program funding has been exhausted.

8. **Pilot Program Evaluation.** The Pilot Program shall operate for a period of two years. During the pilot period, staff shall monitor and evaluate, at a minimum:
    a) Number of applications and participating properties;
    b) Number of completed septic-to-sewer conversions;
    c) Amount of District fees financed;
    d) Amount of third-party construction costs financed;
    e) District cash requirements and available program funding;
    f) Repayment performance; and
    g) Administrative requirements and overall program effectiveness.

    Staff shall report the results of the Pilot Program to the Board and provide recommendations regarding continuation, modification, expansion, or termination of the program.

9. **Existing Unpermitted Connection Financing Program.** Nothing in this Resolution shall terminate or otherwise modify the Financing Program for Legalization of Unpermitted Sewer Connections established by Resolution No. 25-06, except as may be expressly authorized by subsequent Board action.

10. **No Entitlement to Sewer Service or Financing.** Participation in the Pilot Program does not guarantee approval of a sewer connection. All proposed connections remain subject to District engineering review, permitting requirements, applicable District standards, and availability of sewer service and system capacity.

11. **Severability.** If any portion of this Resolution is determined invalid or unenforceable for any reason by a court of competent jurisdiction, such portion shall be deemed severed to the extent of the invalidity or unenforceability, and the remainder of this Resolution shall remain in full force and effect.

12. **Effective Date.** This Resolution shall become effective upon adoption, except that financing agreements shall not be executed until the General Manager has established the necessary program guidelines and administrative documents.

13. **Publication and Posting.** The District Secretary is hereby designated as the officer to

publish or post this Resolution pursuant to applicable legal requirements.

****

I hereby certify that the foregoing is a full, true and correct copy of a resolution duly passed and adopted by the Ironhouse Sanitary District Board of Directors at a meeting thereof held on the 20th day of October, 2026.

AYES, and in favor thereof, Members:	D. Morrow, D. Verduzco, A. Lowrey and P. Zirkle.
NOES, Members:	None.
ABSENT, Members:	C. Lauritzen.

Cecilia Goff
Secretary to the Board
(SEAL)

APPROVED: _____
President of the Board