



**Board of County Commissioners**  
**Office of Policy and Budgetary Affairs**  
**Memorandum**

**To:** Honorable Chairman Jose “Pepe” Diaz  
and Members, Board of County Commissioners

**From:** Office of Policy and Budgetary Affairs

**Date:** April 26, 2021

**Subject:** Funding for Water and Wastewater Conversions

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The following document has been prepared by the Office of Policy and Budgetary Affairs (OPBA). The information and the attachment were gathered from specified sources and may change if these proposals become legislation. Additional updates will be provided as requested.

The research included below does not explicitly serve as a recommendation to the Board of County Commissioners nor does it support or oppose a particular legislative action. Should you have any questions, please contact us at 305-375-5350.

c: Melissa Adames, Director, Clerk of the Board  
Office of Policy and Budgetary Affairs

## **OPTIONS FOR WATER AND WASTEWATER CONVERSIONS**

For a number of years, we have known that the many properties in Miami-Dade County that utilize septic tanks are vulnerable to the impacts of climate change. Estimates of the cost of converting the more than 100,000 septic tanks to sanitary sewer service approach \$4 billion. Both state law and the covenants included as part of the ordinances authorizing the issuance of WASD revenue bonds prohibit the use of fees paid by current rate payers to support the extensions required for new service. The County is actively pursuing federal and state grants, supporting the creation of special assessment districts, and may be able to access American Rescue Plan and other federal revenue programs to fund the required infrastructure. This is, however, only part of the cost of septic to sewer conversions.

The cost of conversion from septic to sewer on one's private property once the service is implemented is expensive and not all homeowners can pay for work estimated to cost from approximately \$7,500 (when both public sewer and a public lateral are available), to \$15,000 (when only public sewer is available). If no public infrastructure is available, the total cost of conversion can be an average of \$40,000. WASD is developing a strategy to provide public laterals, though these investments have historically been the responsibility of developers and homeowners. In addition to the cost of the private connection to the public system, the existing septic tank must be abandoned in responsible way to ensure that risk of pollution is mitigated.

To successfully convert as many properties currently using a septic system to the public sanitary sewer system, it is important to provide options for property owners to fund such conversions. While some property owners may be able to cash fund or finance this work themselves, many property owners do not have the financial wherewithal to be able to support this work. Because connection to a sanitary sewer system is required within a limited period of time once the infrastructure is available, local government efforts to identify funding for these projects should consider the funding needed for the private connection to the public system, not just the infrastructure needed to extend the service. There are many options to consider.

### **PACE Loans**

SB 1208, currently being considered by the Florida Legislature, would expand the types of projects that are eligible for funding through the Property Assessed Clean Energy (PACE) program to include septic-to-sewer conversion, resiliency, and seawall improvement projects. A companion item - HB 387 - no longer includes septic to sewer conversions. PACE programs were originally designed to provide a means for property owners to be able to fund improvements to their properties to promote energy conservation and hurricane hardening. Eligible improvements include energy efficiency, water conservation, renewable energy generation, and resiliency upgrades. A few examples include air conditioners, roofs, windows/doors, water heaters, solar panels, pool heaters, hurricane shutters, and generators. The loan is secured by a lien on the property and does not require a credit check or review of financial capacity. Closing costs are typically included in the amount financed and so no out-of-pocket contribution is required of the property owner.

There are several drawbacks to utilizing PACE loans for septic to sewer conversions. Interest rates, while lower than credit cards, are typically higher than other consumer loans. The lien placed on the property as security for the loan may impact the property owner's ability to sell the property or refinance any current mortgages or other loans. In the case of energy conservation or hurricane hardening, utility bills

and insurance premium reductions can help offset the cost of the PACE loan payments. In the case of septic to sewer conversions, however, the property owner must shoulder not only the PACE loan payments, but also a new bill for sewer service.

### **Dedicated Funding Sources**

Governments may opt to allocate funding dedicated to support septic to sewer conversions. Locally, Housing Surtax funding may be allocated for work at properties owned by individuals whose income falls below certain thresholds. In the December 10, 2020 memorandum transmitting the “Plan of Action Report - A Risk-Based Approach to Septic Systems Vulnerable to Sea Level Rise,” Mayor Levine Cava recommended developing a targeted financial assistance tool, a new part of the existing Surtax homeowner’s rehabilitation loan program, for lower-income property owners that would be funded by a set-aside of \$20 million in Surtax funds.

HB 5401 and SB 2512 are now being considered by the Florida Legislature to revise documentary stamp tax distributions that under current law go to the Sadowski Act/State and Local Government Housing Trust Fund. These funds have typically been redirected by the Legislature to the state general revenue fund in the recent past. HB 5401 splits the Sadowski Act funds into three equal pieces, with one-third remains with the Sadowski Act/State Housing Trust Fund and Local Government Housing Trust Fund; one-third going to the Water Protection and Sustainability Program Trust Fund to be used for wastewater grants, including septic to sewer conversions; and one-third going to the Resilient Florida Trust Fund created in HB 7019 and HB 7021, including planning and project grants.

Funding from the American Rescue Plan and the future Biden Infrastructure bill may also potentially be utilized for sewer infrastructure cost.

### **Grants and Loans**

Various entities at the state and federal levels have historically supported grant programs that may be utilized for a portion of the cost of the septic to sewer conversions. These include the South Florida Water Management District which has helped fund the connection charge for the property owners; the US Environmental Protection Agency (EPA), which has funded grants to watershed organizations that are actively implementing watershed-based plans to restore impaired waterbodies; the US Department of Agriculture, which has funded projects for rural areas; US Housing and Urban Development, which funds projects for public housing and rehabilitation of residential and non-residential properties; and US Economic Development Administration, which has funded programs for new development. Some of these grants may be utilized for private connections, while other programs are limited to the public infrastructure portion. The Biden Administration has also issued plans for a major infrastructure bill to spur economic activity throughout the country. Water and Wastewater service extensions are likely to be eligible projects.

The EPA also provides low-cost loans to utilities for infrastructure projects through the WIFIA program. WIFIA stands for the “Water Infrastructure Finance and Innovation Act” adopted to accelerate investment in our nation’s water infrastructure by providing long-term, low-cost supplemental loans for regionally and nationally significant projects. These can be combined with private equity loans, bond financing, and State Revolving Fund loans. State Revolving Funds were created through money received from federal grants as well as state contributions. These funds then "revolve" through the repayment of previous loans

and interest earned. While these programs offer loans, grant-like funding (or forgivable loans) is also available for qualified small, disadvantaged communities, which reduces the amount owed on loans by the percentage that the community qualifies. The Florida State Revolving Fund is managed by the Florida Department of Environmental Protection.

### **Special Assessment Districts and Surcharges**

The Home Rule Charter and the Miami-Dade County Code provide for the creation of Special Taxing Districts to fund the public infrastructure to extend sewer service to new areas. Chapter 18 of the Miami-Dade County Code outlines the how such districts may be created. Section 18-12 refers specifically to districts created for sewer services. These districts can be created for acquiring, constructing, reconstructing or installing a sewerage system. Annually, the BCC would then set rates that can cover both the capital financing costs and the cost of maintaining the system. These fees have to be set in such a way that they equitably apply the costs amongst the rate payers based on a measure that indicates the relative benefit received. Districts which have been created to cover only for the construction of a system typically set an annual non-ad valorem assessment rate to cover the annually financing cost. This rate can be based on square footage or other measure that shows the relative benefit received by the property. Another way to establish charges is based on usage. For example, a surcharge may be applied to the fees paid for the water or sewer service. This surcharge may be set each year as part of the budget development and approval process.

### **Private Connection Costs**

Consideration should be given to including the work required to make the connection from the private property to the public system as part of the projects for which funding is sought. Miami-Dade County Code requires property owners connect to public sewer main within 90 days of the determination that an approved public sewer main is available and operative in a public right of way or easement abutting the property. Many times, local government can float the funds needed to support a large project less expensively than individual property owners and economies of scale derived from the mobilization of contractors to install both the public infrastructure as well as the private connections may decrease the cost even more. Having the option of paying for this connection as a surcharge on the service fees or even an annual assessment may be the most affordable way to fund the work and would allow for the transfer of property without the requirement to pay off an outstanding lien.