

Number: **BP 010**

Authority: Board of Directors
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Initiating Dept./Div.: Engineering/Planning &
Development Services



BOARD POLICY

CONTRACTUAL ASSESSMENT DISTRICTS

PURPOSE

To encourage residential property owners to connect to the public sewer system. The Contractual Assessment District (CAD) program provides financial assistance to small groups of homeowners, often with inadequate septic tank systems, so that they may extend the public sewer system to serve their properties. The CAD program is intended for residential properties, primarily owner-occupied, and not commercial properties.

POLICY

This policy statement establishes the criteria for formation of CAD projects. Nothing in this policy is intended to bind Central San to continue with the program for any predetermined time period, nor does it create any right or entitlement in favor of potential program participants. The Board may consider technical, economic, staffing, budgetary, environmental and other factors in its consideration of whether to form a CAD.

FUNDING

CAD proponents are required to hire an engineer and pay the initial engineering costs for the design of the improvements. Upon approval of the CAD by the Board of Directors, funding for construction and inspection of the sewer improvements and reimbursement of reasonable initial engineering costs will be provided by Central San. This money is repaid by participating property owners, either in a lump sum at the completion of construction or in 10 annual installments. If the annual per-parcel cost exceeds \$7,500 per parcel, staff may extend the term from 10 to 20 years. The annual installments include a nominal interest rate, are secured by a lien on the property, and are collected on the property tax bill. Subsequently participating owners who connect to the sewer main within 20 years repay their share of the CAD costs to the other participating property owners at the time of connection.

LEGAL

CADs are formed pursuant to Streets and Highways Code Section 5898, et seq. While the State Legislature has found that CADs are voluntary, imposed pursuant to an agreement and are not subject to Proposition 218, Central San will not proceed with a CAD formation if a majority of ballots, weighted by the proposed assessment, are submitted in protest of the project.

FORMATION CRITERIA

In order to be eligible for participation in Central San's CAD assessment financing program, the proposed mainline sewer extension project must meet the following criteria:

1. A minimum of three properties must be directly tributary to the proposed CAD facilities.
2. A minimum of 60 percent of the properties directly tributary to the proposed CAD facilities must have existing homes served by septic tank systems.
3. A participant parcel may not have more than two dwellings to participate in a CAD.
4. Participating property owners are limited to use of the ten-year annual assessment payment option for a single parcel at any given time. If a person(s) owns two or more parcels in the same CAD or different CADs, that person(s) may be a participant for more than one parcel but will be eligible for the annual assessment option for only one parcel. The shares of the CAD expenses for the other parcels must be paid by the lump sum payment option.

[Original retained by the Secretary of the District]