

Attachment 2

Policies and Procedures Washoe County Water and Sanitary Sewer Financial Assistance Program

This document describes the basic policies and procedures that Washoe County shall follow in providing loan financing to eligible residential property owners for conversion projects under the Washoe County Water and Sanitary Sewer Financial Assistance Program (Program).

- 1) Water and Sanitary Sewer Financial Assistance Program Purpose Statement:** The purpose of the Program is to provide financial assistance in the form of loans issued to eligible owners of residential property who desire to convert from a private on-site domestic well or septic system to a reasonably available public water or sewer system.
- 2) Eligibility Linked to Public Purpose and Benefit:** The Washoe County Board of Commissioners (Board) finds that it is necessary to establish the Program to offer financial assistance to eligible residential property owners to serve the public purpose and benefit of assisting property owners desiring to convert from private water and sewer systems to public water and sewer systems in order to protect and promote the health, welfare and safety of its citizens. This Program will aide in preventing, controlling and reducing water contaminants and improve the drinking water supply which will contribute to a higher quality of life in Washoe County.
- 3) Program Funding:** The Program may be funded by any combination of grants, gifts or other available monies on hand or accepted by the Board. Program funding is subject to availability.
 - a) All eligible property owners to benefit equally from any gifts or grants received, subject to gift or grant terms and conditions:*
 - i) Grant or gift funding, if available, is subject to the terms and conditions of the grant and will be apportioned equally and uniformly to benefit each eligible property owner in accordance with the purpose, terms and conditions of the grant.
 - ii) Grants or gifts, if available, may be used for the exclusive purpose of reducing loan amounts to eligible property owners.
- 4) Property Owner Eligibility Criteria:** All loan applicants shall meet the established eligibility guidelines and complete the established loan application, including paying the applicable, non-refundable loan application fee.
 - a) Eligibility Guidelines:* All of the following criteria must be met to qualify for financial assistance.
 - i) An applicant must be the owner of record of the residential property to be converted to the public water or sewer system and

must submit a certified copy of the deed from the Washoe County Recorder that evidences he/she is the current record owner of the subject residential property.

- ii) An applicant must be current on property taxes, special assessments and any existing mortgage(s), deed of trust, promissory note or other security instrument, agreement or credit arrangement related to the property, if any. Properties with other recorded financial encumbrances shall not qualify for participation in the Program. Applicants must provide documentation and/or related information sufficient to verify this condition is met.
 - iii) The applicant's residential property must be within 400 feet of a Public Water or Sewer main or distribution line, and the residential property must have legal access to the public water or sewer system through a public street, road or right-of-way, or permanent easement. The subject property must be a permanent residential structure or mobile or manufactured home with a permanent foundation and must be assessed as real property by the Washoe County Assessor.
 - iv) Eligibility is subject to the availability of program funding and shall be determined on a first come, first served basis subject to the emergency conditions provision of the Program's establishing Ordinance. Additional eligibility requirements may be established based on criteria defined by grantors.
- b) *Loan Application Fee* — A standard, non-refundable application fee, which amount shall be established by the Administrator on an annual basis each year on July 1st, shall be assessed for each application for financial assistance that is submitted. The standard application fee shall be used to pay usual and customary costs for processing the application and issuing financial assistance, including, but not limited to, all costs of administration, authorization, obtaining credit or other reports, certifications or other documents, and loan set-up fees.
- c) *Loan application procedures* — An applicant must satisfactorily complete and submit all applicable Program forms, fees and plans before being considered eligible for financial assistance.
- i) Each applicant must complete and sign a Loan Application to provide the County with information sufficient to determine eligibility and to gain an understanding of the nature of the project the loan will support.
 - ii) Each applicant must sign and have notarized an Acknowledgment of Loan Program Terms and Conditions. This acknowledgement shall include a statement that the applicant understands the nature of the non-refundable loan application fee, once paid.
 - iii) A non-refundable application fee must be paid at the time of submission of the written Acknowledgment of Loan Program Terms and Conditions.
 - iv) Verification of financial eligibility will be performed through a third party credit agency under contract with Washoe County.

- v) An applicant will receive a written acknowledgement from Washoe County that a completed application has been received; however, such an acknowledgement shall not constitute or imply a commitment to provide financial assistance until issuance of a written determination in the form of an Offer of Preliminary Loan Commitment. If application information is determined to be incomplete, deficiencies will be identified to applicants. Applicants notified of incomplete applications shall be responsible to provide information or documents necessary to complete the application. If such documents are submitted within 12 months of being notified, no additional application fee will be due. Failure to submit documents within 12 months will require reapplication and an additional application fee will be due.
- d) *Maintaining Eligibility Required* — All terms and conditions of eligibility must continuously be met, and all required forms and information outlined in these policies and procedures must be completed, signed and notarized (when required) to maintain eligibility prior to the disbursement of loan funds.
- e) *Withdrawal of application* — An applicant may decline financial assistance or withdraw a Program application at any time prior to disbursements of funds for any reason or no reason at all. Applicants who withdraw an application at any stage in the process after the Application Fee has been paid shall not be entitled to a refund of the standard application fee.

5) Consideration of Loan Applications:

- a) *Equitable treatment of all applicants* — The Program shall be developed and operated in compliance with rules, policies and procedures that are non-discriminatory and ensure that all eligible residential property owners are treated equitably.
- b) *Loan Committee review* — A Loan Committee shall be established and shall review and take action on all applications. The Loan Committee shall be responsible for making a finding that an application is eligible, ineligible or incomplete based on Eligibility Guidelines and Loan Application procedures defined in Section 4 above.
 - i) *Loan Committee Membership* — The Loan Committee shall be composed of a member and alternate representing the Washoe County Health District, Washoe County Finance Department and Washoe County Department of Water Resources. Committee assignments shall be made by the Department head for each agency.
 - ii) *Loan Committee Role* — The Loan Committee's role shall be to ensure the fair and equitable application of Loan Eligibility Guidelines and to ensure that the highest standards of ethics and accountability are consistently applied to the operation and management of the Program. In evaluating each applicant's request for a loan, consideration shall be given to his or her ability to meet repayment obligations under the loan agreement.

- iii) The Loan Committee shall take action on applications only when a representative of each member agency participates. Determinations shall require the action of a majority of the Loan Committee.
- iv) The Loan Committee can meet in person, via conference call or via other electronic means so long as each Loan Committee member has access to all relevant materials related to the applications being considered.
- v) The Loan Committee shall document its decision in writing. If the applicant is determined to be ineligible, the reason for the denial shall be documented in writing. If an applicant's information is determined incomplete or inadequate to support making a decision, the Loan Committee will identify the deficiencies. The Loan Committee's written decision or determination shall be provided to the applicant.

6) Offers of Preliminary Loan Commitment: Eligible applicants shall receive a written Offer of Preliminary Loan Commitment that provides the maximum loan amount, and an informational table of quarterly installment payments for the maximum loan amount based on the loan interest rate in effect at the time the Offer of Preliminary Loan Commitment is made. Final terms of loans are subject to change based on authorized project expenditures and the loan interest rate in effect at the time of closing.

7) Acceptance of Preliminary Loan Commitments:

- a) *Acceptance of Preliminary Loan Commitment* — An applicant must return a signed and notarized Offer of Preliminary Loan Commitment, which shall include the acknowledgement of loan terms, requirements to maintain eligibility, and other conditions and disclosures as applicable. Offers of Preliminary Loan Commitments must be accepted within 12 months of the offer date. Offers of Preliminary Loan Commitments not accepted within 12 months shall expire. Failure to accept the Preliminary Loan commitment within 12 months will require reapplication and an additional application fee will be due.
- b) *Authorization to Proceed to Construction* — Once an applicant executes an Offer of Preliminary Loan Commitment, he or she will receive a written Authorization to Proceed to Construction. Any construction or other work initiated prior to receipt of this authorization may be ineligible for financing under this Program. Construction must be completed within 12 months of the authorization to proceed. Failure to complete construction within 12 months will require reapplication and an additional application fee will be due.

8) Construction Requirements:

- a) *Washoe County not a party to the relationship between a property owner and contractor or other qualified service provider* — Washoe County and the Program Administrator will not be responsible for

supervising construction or for ensuring that the terms, conditions and obligations under any agreement between the applicant and any contractor, or other qualified person who provides services to applicants under this Program, have been satisfactorily performed, including, without limitation, payment for completed work or services or the quality of construction.

- b) *Authorized Expenditures* — To the reasonable satisfaction of the Program Administrator and Receipt Processing Committee, as defined in Section 9 below, all Authorized Expenditures must be verified by invoices, submittals or receipts for the work and services completed. Authorized Expenditures shall be limited to the following:
- i) Costs directly associated with the design, specifications, records or document production, permit and plans for the connection of the residential property to a public water or sewer system;
 - ii) Costs associated with the construction, excavation, installation and connection to a public water or sewer system;
 - iii) Costs of the one-time system connection or hook-up fees, impact fees, capacity fees, lateral line costs, permitting and inspection fees;
 - iv) Costs associated with the abandonment and/or decommissioning of a private water or sewer system serving an applicant's eligible residential property; and
 - v) Costs associated with the repair and restoration of the applicant's residential property, for example landscaping and paving, impacted by the non-negligent abandonment, construction and installation activities, work or services directly related to the conversion from a private water or sewer system to a public water or sewer system.
- c) *Financing only available for reasonable and necessary costs* — The Program Administrator shall ensure that available financial assistance in the form of loans is exclusively used to pay actual and necessary costs and expenses to:
- i) Disconnect from a private water or sewer system;
 - ii) Eliminate, decommission or properly abandon a private water or sewer system;
 - iii) Connect to a public water or sewer system.
- The Program Administrator, in consultation with the Receipt Processing Committee, shall have the authority to make determinations on all costs submitted to ensure that only reasonable and necessary costs are financed.
- d) *Permits and compliance with all relevant design standards and regulations required* — The property owner, Contractor or other qualified person performing the work or services authorized under this Program shall be responsible for ensuring that all such work or services performed complies with all relevant design standards, is consistent with applicable law, rules and regulations, that all necessary permits are obtained prior to the commencement of work or services, and that all necessary inspections are completed prior to the completion of the work or services.

- e) *Use of Licensed Contractor* — Property owners who are using a contractor to perform the work or services authorized under this Program must use a contractor who is properly licensed in the State of Nevada, and who is in good standing and duly qualified under all applicable federal, state and local laws.
- f) *Bids* — The Administrator or designee may require eligible program applicants, who intend to use a licensed Contractor to perform the work or services under this Program, to submit a specified number of bids prior for the work or services to be performed.
- g) *Work performed by property owners or other qualified persons* — Property owners or other qualified persons who conduct work to be financed under this Program shall be required to meet all applicable standards, obtain all applicable permits, and comply with all applicable inspection, permitting, or other regulatory requirements.
- h) *Final acceptance of work* — Upon completion of the work and services authorized under this Program, the Administrator or designee must be provided with sufficient written documentation evidencing all final construction inspections, tests, permits and other related certificates or regulatory approvals have been received or completed before financial assistance will be disbursed. Disbursement of financial assistance to the property owner shall neither constitute nor be construed as the County's opinion of the quality of construction, workmanship or services, but only as to their completion.

- 9) Receipt Processing Committee:** All Authorized Expenditures for completed work must be verified by invoices or receipts from a duly licensed Contractor or property owner or other qualified person, who has actually performed and completed the services or work. Loan funds will not be provided for time spent or work performed by property owners.
- a) Receipt Processing Committee — A Receipt Processing Committee shall be established and shall review and make a written recommendation to the Program Administrator regarding the eligibility of receipts submitted for construction work needed to connect to the public water or sewer system.
 - i) Membership — The Receipt Processing Committee shall be composed of a member and alternate representing the Washoe County Health District, Washoe County Department of Public Works and Washoe County Department of Water Resources. Committee assignments shall be made by the Department head for each agency.
 - ii) The Receipt Processing Committee's role shall be to ensure the fair and equitable application of the reasonable and necessary cost criteria established in Section 8(c) and to ensure that the highest standards of ethics and accountability are consistently applied to the evaluation of construction receipts produced by applicants for the Program.
 - iii) The Receipt Processing Committee shall take action only when a representative of each of the member agency participates.

Determinations shall require the action of a majority of the Receipt Processing Committee.

- iv) The Receipt Processing Committee can meet in person, via conference call or via other electronic means so long as each member has access to all relevant materials.
 - v) The Receipt Processing Committee shall document its decision in writing, providing a list of eligible expenses and the total amount eligible to be financed. If the some of the expenses submitted are denied, the reason for the denial shall be included in the Receipt Processing Committee's documentation.
 - vi) The Receipt Processing Committee's written documentation of eligible expenses and amount proposed for financing shall be communicated to the applicant by a written Final Offer of Loan Commitment. The applicant shall confirm in writing his/her acceptance of the Receipt Processing Committee's finding by signing and having notarized the Final Offer of Loan Commitment form and providing it to the Program Administrator. This amount will be used in preparing the final loan package.
- b) The Administrator may request the Receipt Processing Committee to review receipts and make a recommendation to the Administrator of eligible expenses and the amount proposed for financing for projects completed between May 29, 2009 and July 27, 2010 if:
- i) The property owner has submitted an application which demonstrates that the Program eligibility guidelines have been met, has submitted all relevant documents, and paid applicable fees;
 - ii) The work or services were performed and completed by a duly licensed Contractor or other qualified person in accordance with all applicable federal, state and local laws; and
 - iii) The work and services were performed and completed in accordance with all applicable public works and water and/or sewer utility standards and requirements.

10) Loan Closing and Disbursement of Loan Funds: Prior to releasing Loan funding, the required Loan Closing documents must be executed by the Applicant and, at the time of loan closing, appropriate documents shall be recorded with the Washoe County Recorder. The Program Administrator shall prepare all Loan Closing documents to properly secure and pledge the Applicant's real property as collateral for the repayment of the Loan. Loan amounts above \$25,000 shall require the approval of the Board of County Commissioners.

- a) *Loan Documents* — The following documents must be submitted, signed and notarized, if applicable, by each Program applicant prior to disbursement of loan funds:
- i) Loan Application
 - ii) Acknowledgment of Loan Program Terms and Conditions
 - iii) Offer of Preliminary Loan Commitment
 - iv) Acknowledgement of Exclusive Relationship Between Contractor and Property Owner

- v) Offer of Final Loan Commitment
- vi) Deed of trust
- vii) Promissory note
- viii) Other documentation as required by the Program Administrator
- b) *Loan Administrative Fee* — Each recipient of a Program Loan shall be charged a Loan Administrative Fee in the amount of one percent (1%) interest above the standard interest rate applied to the loan. The Loan Administrative Fee will be used to pay the costs of billing for and otherwise servicing the loan.
- c) *Calculation of Interest Rate* — The interest rate will be based on the weighted average cost of debt within the County's Department of Water Resources, which is recalculated on July 1st of each year.
- d) *Application of Interest Rate* — All loans closing between July 1 and June 30 of each fiscal year shall be subject to the interest rate in effect for that fiscal year. This interest rate shall apply for the duration of the loan, which shall be 20 years, subject to the provisions of section 10e below.
- e) *Possible Interest Rate Change if Loans are Combined by the County and Refinanced* — If the County chooses to combine individual loans into a package to be refinanced through the sale of a long term bond, loan holders shall be subject to any revised interest rate associated with such a bond plus the applicable Loan Administrative Fee. Within 60 days of a possible change in interest rate, loan holders shall be notified by the Program Administrator of a possible change in interest rate and shall have the option of paying their loan in full.
- f) *Loan Terms and Conditions and Disclosures* — Final loan terms, conditions and disclosures will be outlined in the deed of trust and promissory note which are to be signed and notarized by both the applicant and Program Administrator. Loans will not be transferrable to a new property owner and must be paid in full upon transfer of property title to a new owner.
- g) *Disbursement of Funds* — All checks for Program loan funds shall be issued to the Applicant. The County will not issue Program loan fund checks to contractors or other qualified persons performing the work.

11) Loan Repayment: Repayment of Program Loans, together with all interest, fees and charges, shall, upon notice to the residential property owner, be made to the Washoe County Treasurer or other third party service provider hired for this purpose. The Loan repayment installment amount shall be prepared by the Washoe County Treasurer as soon as reasonably practicable after Loan issuance. Billing and collection for the Loan amount shall thereafter be treated procedurally in a similar manner as that for any other special assessment or similar obligation for the parcel.

- a) *Quarterly payments* — Repayment of Program Loans shall be made in quarterly installments in cash or by personal check, cashier's check or through a private financial system's on-line bill pay service.

- b) *Penalties* — Each late Program Loan payment shall accrue a monthly penalty equal to 5% of the delinquent installment plus any applicable penalties previously accrued.
- c) *Collection of Delinquencies* — On May 1 of each year, any parcel with four or more delinquent installments shall have all delinquent amounts, plus any accrued service charges, fees, interest and penalties, added to the real property tax roll and collected through the procedures set forth in NRS 244.36605. The Washoe County Treasurer shall describe each lot or parcel of real property or each mobile or manufactured home with respect to which Loan amounts, charges, fees, penalties and interest are delinquent on May 1 of each year; and the amount of the delinquent Loan amounts, charges, fees, penalties and interest, to be prepared and submitted to the Washoe County tax receiver no later than June 1 of each year.
- d) *Waiving of Penalties* — The Washoe County Treasurer may, in his/her sole discretion, waive or reduce any penalties and interest accrued for any delinquent installments caused by circumstances beyond the control of the residential property owner. A request to waive or to reduce any such penalties and interest must provide a proper showing of circumstances beyond the residential property owner's control and the failure to timely pay installments occurred despite the exercise of ordinary care.
- e) *Conversion of loan balances to tax rolls* — Any further delinquent installments beyond the first four described above, shall result in the entire outstanding amount of the Loan being added to the real property tax roll.