

Meeting Minutes

Project:	OSDS Strategic Planning	
Subject:	Task Force – Fiscal Working Group Meeting No. 1, Revision 1	
Date:	Tuesday, August 06, 2019	
Location:	2662 Riva Rd, Ron Bowen Conference Room	
Attendees:	<p>Community Representatives: Jerry Pesterfield (Herald Harbor) Jesse Iliff (Arundel Rivers Federation)</p>	<p>Anne Arundel County Representative: Councilmember Haire (County Council) Matt Pipkin (County Council – Councilmember Haire) Matthew Johnston (Office of the County Executive) George Heiner (Department of Public Works) Kim Cluney (Department of Public Works) Chris Phipps (Department of Public Works)</p> <p>Utility Rate Consultant: David Hyder (Stantec)</p> <p>OSDS Strategic Planning Team: Ed Shea (HDR) Joe Sowinski (HDR) Carita Parks (HDR) Brian Balchunas (HDR)</p>

HDR facilitated a Fiscal Working Group Meeting of the Septic Task Force on August 6, 2019. The objectives of this meeting are to discuss cost and finance variables related to the Septic Conversion Program. The following is a summary of key points and action items:

1. Introduction
 - a. Ed Shea gave an overview of Working Group objectives and introduced the Willingness-to-Pay model.
 - b. A second Fiscal Working Group meeting will be requested in the future to advance decision-making on incentives and subsidies based on results of financial analyses.
2. Current petition process –
 - a. George Heiner presented the current petition process, including application of User Connection fees, Capital Connection fees, and Front-Foot Assessments.
 - b. Jerry Pesterfield suggested the program could be more effective if the cost to property owners was simplified to one charge, rather than multiple charges that can be difficult to understand.
3. Bay Restoration Fund (BRF) –
 - a. Typically awarded based on affordability. DPW could propose a different structure, if desired.
 - b. Currently used to reduce private side costs. Also could be used to reduce user connection fees.
4. Private side costs

- a. Health Dept. keeps a record of property owner costs as part of the BRF grant application process. Costs have ranged up to \$18,000 per property. DPW shared the list with the HDR team.
 - b. Jerry Pesterfield believes private side costs should be reviewed to better understand cost drivers.
 - c. **Action items and issues of discussion:**
 - i. **HDR will review private side costs, including evaluation of specific properties, to identify unique cost drivers that need to be considered in the new conversion policy.**
5. Readiness-to-Serve (RTS) Charge
 - a. Ed Shea explained the use of RTS charges that could be applied under a voluntary program in order to collect revenue from property owners who choose not to connect to the public sewer system. Charges could be based on base O&M costs to maintain the public sewer, or could also include cost recovery on capital expenditures.
 - b. Matt Johnston communicated that the County Executive's office would not want to use tax revenue to support a strictly voluntary program. The current "Voluntary/Mandatory" policy is preferable, where all property owners must connect once the community has voted to participate in the conversion project. Councilmember Haire concurred.
 - c. **Key Decision:**
 - i. **RTS charges will not be modeled going forward. Program will be assumed to be "Voluntary/Mandatory"**
6. Other Funding Sources
 - a. The Fiscal Working Group will evaluate other sources of conversion program funding at the next Working Group meeting. Other sources could include Federal grants (i.e. FEMA), or existing local and regional Foundations.
 - b. Councilmember Haire and Matt Johnston believed, based on discussions with Sen. Chris Van Hollen, that available Federal grant funding may be very limited.
7. Deferred Payments
 - a. Ed Shea explained the use of deferred payments to subsidize User Connection fees, Facility Connection fees, and/or Assessments. A portion of these costs can be deferred to the transfer of property or end of a bond term, at which time remaining costs become due and payable (balloon payment).
 - b. Matt Johnson asked if any other septic conversion programs have successfully used this type of policy. Councilmember Haire reported that Heritage Harbor is deferring 100% of costs for low income and elderly property owners.
 - c. **Action items and issues of discussion:**
 - i. **HDR will review other septic programs for deferred payments and report back at Task Force Meeting No 2.**
8. Sunset Provisions
 - a. Councilmember Haire suggested that sunset provisions be considered as a means to add flexibility for the County. Jerry Pesterfield and Matt Johnston concurred.

b. Action items and issues of discussion:

- i. HDR and DPW will review the applicability of sunset provisions to proposed policies.**

9. Bond Terms

- a. Councilmember Haire suggested that 40 year bond terms be considered as a way to further reduce regular payments. DPW will evaluate this alternative, compared to 30-year terms.
- b. Jerry Pesterfield is concerned that extending the term beyond a traditional 30-year bond effectively transfers hardship to the next generation.

10. Financial Model and Edgewater Beach Test Case

- a. Brian Balchunas presented a financial model of costs and revenues for implementing an Edgewater Beach-sized program each year for 30 years.
- b. Matt Johnston suggested the group consider the impact of waiving connection costs, and also the idea of increasing connection charges for new development outside of the service area.
- c. Matt Johnston would like to know the estimated total cost of the program – what's the bottom line? Brian Balchunas offered that this will be summarized in Task Force Meeting No 2.
- d. Chris Phipps wants to understand the relative cost of doing the top management areas in the early years (lower average costs compared to all management areas according to prioritization approach).
- e. Chris Phipps wants the model to include the average rate of home sales in order to understand the impact of deferred payments.
- f. Matt Johnston wants to know if the utility fund can bear the projected annual incomes and deficits from this program. DPW will review.
- g. **Action items and issues of discussion:**
 - i. HDR will coordinate with David Hyder to evaluate impacts to user rates and the utility fund.**
 - ii. The model will be updated to include the average rate of home sales in order to understand the impact of deferred payments.**