Meeting Minutes

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<tr><td>Project:</td><td colspan="2">OSDS Strategic Planning</td></tr>
<tr><td>Subject:</td><td colspan="2">Task Force Meeting No. 4</td></tr>
<tr><td>Date:</td><td colspan="2">Thursday, October 17, 2019</td></tr>
<tr><td>Location:</td><td colspan="2">2664 Riva Rd, Independence Conference Room</td></tr>
<tr><td>Attendees:</td><td>Community Representatives:
Jeff Holland (West/Rhode Riverkeeper)
Lloyd Lewis (Mayo)
Ken Mark (Edgewater Beach Community President)</td><td>Anne Arundel County Representative:
Jessica Haire (County Council)
Matt Pipkin (County Council – Jessica Haire)
Matthew Johnston (Office of the County Executive)
Kelly Kenney (County Legal)
George Heiner (Department of Public Works)
Ed Peters (Department of Health)
Albert Herb (Department of Health)
Chris Phipps (Department of Public Works)
Chris Murphy (Department of Public Works)
Chris Saunders (Department of Public Works)
Hujia Hasim (County Budget Office)
Kim Cluney (Department of Public Works)
Karen Henry (Department of Public Works)
Cindy Carriier (Office of Planning and Zoning)

OSDS Strategic Planning Team:
Jeff Eger (HDR)
Brian Balchunas (HDR)
Joe Sowinski (HDR)
Carita Parks (HDR)
Ziwei He (HDR)</td></tr>
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HDR facilitated the fourth Septic Task Force meeting on October 17, 2019. The objectives of this meeting were to discuss survey results, review and discuss several deferment/subsidy level combinations and the financial sustainability of those programs, and to discuss proposed legislation. The following is a summary of key points:

1. Carita Parks from HDR presented the highlights from the customer survey. The survey responses received exceeded the goal, both in total and in each of the sub-areas. In general, the results of the survey confirmed that the citizens of the County are concerned about water quality and the environment, and that public health is the top motivating factor for improving water quality. However, those with septic systems generally think that septics are not a major contributor to poor water quality. An effective public outreach and education campaign is being developed to support the program.
    - **a.** The results of the survey are still being analyzed. **A full report on the survey will be distributed to the County.**
2. Brian Balchunas from HDR presented the 2nd Fiscal Working Group meeting and survey willingness to pay (WTP) results.

a. It should be noted that respondents likely did not distinguish between assessment and monthly sewer bill. A typical sewer-only utility bill of $30-$35 per month should be considered when reviewing responses.
b. A willingness to pay curve was shown. At 50% vote rule, households with income over $200K are willing to pay $101/month, income of $60k to 200K are willing to pay $74/month and income of less than $60k are willing to pay $57/month. At a 67% vote rule, monthly charges needs to be much lower. **Action item: Verify distribution percentage of respondents in those three income brackets.**
c. The survey indicated that people on public sewer may be willing to pay for general water quality improvements, which could be a potential funding source.
d. HDR and the County's financial consultant, Stantec, modeled the County's financial positions at several subsidy levels. Some assumptions were: 30-year bond term with both 30 and 40-year payback, 33% limit on County's share, funding contained within Enterprise Fund, uniform 50% deferment, Capital Facilities Connection Fee (CFCC) and User Connection Cost (UCC) financed, onsite cost financed (assuming an average of $ 6,400), and deferment paid off upon property transfer.
    i. Annual costs and cash flow graphs were shown for several scenarios. Councilwoman Jessica Haire was concerned that the County would have a $50 million deficit in scenario 3b at the low point. Chris Phipps indicated that that is the maximum deficit over the life of the program and commented that the cash is balanced out (revenue neutral) in the end, but the risk exists when people do not pay back. Matt Johnston said that future councils have the choice of repealing the legislation and thus flatten out the debt.
    ii. Councilwoman Haire stated that the deferment can potentially be lower if people are willing to pay more in monthly assessment. Kelly Kenney added that people may not be willing to pay the lump sum when they transfer property, and not many would hold property for 30 years. The proposed code is written to give the homeowners the option to defer, at any amount up to 50%. There was a general consensus with this approach.
    iii. HDR presented an option of offering $15,000 subsidy with a deferment term of 40 years. The County would be in maximum debt of $114 million while cash balance would be positive at the end of the program. The homeowners would pay on average $99 per month, and the lump sum payoff (assuming 50% deferment) would be $31,000. Ken Mark of Edgewater Beach said that this lump sum payment is a little daunting, and may be more palatable if it was flexible.
e. The Task Force discussed subsidy levels and potential income testing similar to the State's Bay Restoration Funding (BRF) income test.
    i. Ed Peters of Health Department stated that he believes only 5% households make above $300,000. The Health Department requests tax forms for all BRF grants. If people do not want to disclose their income

they would specifically request 50% of the Nutrient Reduction Unit (NRU) cost. The maximum subsidy is $20,000.

ii. Councilwoman Haire stated that she hesitates to make the program income based, because this program is intended to be project/community based, and it would make more sense to add another tier of subsidy instead of testing income by individual homes.

iii. Karen Henry asked if we could deal with the additional tier of subsidy at a later time and get the program started first. Chris Phipps noted that we may have to grandfather in first people who applied and didn't get the subsidy if a subsidy is added later.

iv. There was a question as to what happens with BRF funding when income changes. Ed Peters commented that BRF funding does not change upon approval, even if income changes after that.

v. Karen Henry stated that if some get more subsidy, others would be given less because the program budget is planned around a pre-fixed subsidy. Budget and revenue is independent from one another. This approach would undercut the idea of offering one subsidy to the entire project area. She noted that it may be possible for low income residents to apply for community development grants or that the County could work on developing support for such an effort.

vi. There appeared to be a consensus that one subsidy would be offered to everyone in the project area, irrespective of income.

f. The program needs to be adaptive as it is being implemented. A future option to improve program success is to pay for portions of project costs from other sources. Chris Phipps gave an example of using general fund for road resurfacing for roads with rating index under 70. Department of Public Works (DPW) has the flexibility to do this without it being codified in legislation.

3. Brian Balchunas from HDR presented updates from the 2nd Policy Working Group meeting. Draft legislation language was included in the presentation.
    a. The financial model is built on the assumption that all assessments and charges would be paid off at the time of property transfer. The current code notes that the CFCC and UCC are paid upon property transfer, while all other assessments remain with the property.
    b. In the "Subsidy" part of the legislation, Councilwoman Haire pointed out that clause (B) (IV) is vague – the seems like an area adjacent to one of the "above areas" can be given subsidy if applied alone, but in fact (B)(IV) applies only when the "adjacent area" applies with one (or more) of the areas in (B)(I), (II) or (III). "Total Project Cost" has to be laid out clearly to include all project costs inclusive of engineering and on-site costs.
    c. In the "Criteria" part of the legislation, Councilwoman Haire stated that there is no intent to codify a map, giving DPW flexibility.
4. Brian Balchunas from HDR presented the outline of policies and procedures.
    a. Karen Henry said that in the current petition process, the County does not promote, change or otherwise steer the project extents/limits. It is completely

initiated and coordinated by the homeowners. Under the new program, what is being contemplated is a period between the homeowner application and prior to the residents submit a petition formally, DPW can make recommendations to changes in the project extents. But when the petition process is triggered, DPW can no longer modify the plans. Under the new process, the project would be ranked after application (which is not considered a petition) and DPW can recommend modifying project areas.

b. Under the current petition process, DPW has to present the project to County Council when a cost overrun occurs on a stipulated $/Front Foot assessment. DPW hopes voting procedures can be simplified to improve efficiency for minimal overruns.
c. Currently there is no language in the code to prevent "bundling" costs. If the costs were to be bundled for ease of understanding, there should be explanation of intent of each portion of bundled costs (i.e. assessment, monthly sewer bill, etc.)

Councilwoman Haire will introduce the draft legislation on Nov. 4th and the working session of County Council will be on Nov. 12th.

The meeting was concluded with a discussion of the preparation of a Task Force Report for this most recent task force effort. This report will be similar to the report generated by the County's strategic planning team for the Spring/Summer 2018 Task Force. It will be used to summarize the efforts, decisions made, recommendations and the plan moving forward that resulted from this most recent Summer/Fall 2019 Task Force. It will be used as a communication tool for decision makers on legislation for this program, as a platform for MDE discussions, as well as to formally document the Task Force results.

Preliminarily there have been four categories of "Implementation Efforts" that must be explored in the near future in order to establish Policy and Procedures to maximize the probability of successful program execution. They are preliminarily – 1. DPW Policy and Procedures, with sub categories for program application process as well as funding. 2. Construction Program Development, Public Outreach and State and County Coordination.

This report is scheduled to be delivered for November 4 to support the introduction of the legislation. November 12 is a Council Working Session. A final/follow up Task Force Meeting may be scheduled in January 2020 to formally conclude this task force effort. More to come on date and time.

Summary of Key Decisions

- Move forward with voluntary/mandatory conversion process. Do not consider allowing properties not to connect once community has passed connection. No readiness to serve charge.
- Add to fiscal analysis using a 40 year bond term; and an option with both 40 year bond term and a 50% deferral
- Financial analysis includes an assumed property turnover rate.
- Continue forward with an open policy for connections with County ranking
- Sea level rise used as a stand-alone criteria in prioritization matrix
- Open application process with location criteria preferred. Existing petition to stay.
- Sunset provision not used at this time
- 50% deferment applies for household out of the OWMPAs in projects that include mixes of OWMPA and non OWMPA households
- Instead of using front foot, use equivalent dwelling unit (EDU) basis.
- County absorbs a certain cost overage before going back to revote. Specific percentage not determined
- County change terminology of "management areas" to "project areas" and propose consequent code change
- Deferment level should be flexible up to 50% to give people flexibility
- One subsidy would be offered to everyone in the project area, irrespective of income
- Households in the Critical Area, OWMPA, an area designated in the County's Masterplan for water supply and sewage systems as a septic to sewer conversion area, or in an area adjacent to one of these areas eligible for deferment
- "Bundle" cost in public campaign but explain the intent of each portion of bundled costs