

# Appendix:

Meeting Minutes and Presentations

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# Appendix A

## Task Force Meeting No. 1

# Meeting Minutes

Project:	OSDS Strategic Planning	
Subject:	Task Force Meeting No. 1, Revision 1	
Date:	Monday, July 22, 2019	
Location:	2664 Riva Rd, Independence Conference Room	
Attendees:	<p>Community Representatives:</p> <p>Jerry Pesterfield (Herald Harbor)          Jesse Iliff (Arundel Rivers Federation)          Lloyd Lewis (Mayo)          Ben Weschler (Linowes and Blocher LLP)          Sally Hornor (AA Community College/Severn River)</p>	<p>Anne Arundel County Representative:</p> <p>Jessica Haire (County Council)          Linda Shmett (County Council - Jessica Haire)          Matt Pipkin (County Council – Jessica Haire)          Matthew Johnston (Office of the County Executive)          George Heiner (Department of Public Works)          Karen Henry (Department of Public Works)          Ed Peters (Department of Health)          Cindy Carrier (Office and Planning and Zoning)          Chris Phipps (Department of Public Works)</p> <p>OSDS Strategic Planning Team:</p> <p>Jeff Eger (HDR)          Ed Shea (HDR)          Joe Sowinski (HDR)          Carita Parks (HDR)          Ziwei He (HDR)</p>

HDR facilitated Septic Task Force meetings on July 22, 2019. The objectives of this meeting are to review recent progress, including explaining the reduction in the proposed septic program from prior 20,000 connections to approximately 5,000 to 7,000, discuss upcoming Task Force meetings, review lessons learned from other conversion programs, discuss prioritizations and program areas, and discuss objectives of customer survey. The following is a summary of key points and action items:

1. Chris Phipps provided opening remarks and overview of task force schedule. The County is hoping to host working group meetings: The prior Land use working group will be combined into the other two working groups meetings (Policy or Fiscal); The Fiscal sub-working group meeting will be before the August Task Force meeting, and work on splitting the financial burden between state, homeowner, and the County; policy working group meeting will be in early September to discuss about incentive structure and target.
2. George Heiner provided overview of the progress since the last septic task force meeting in 2018.
  - a. The last septic task force meetings were centered around the objective of connecting 20,000 septic units, which was established around the 2012 Phase II Watershed Implementation Plan (WIP II) to provide the approximate 200,000 lb/year of N removal requirement. The 20,000 septic units were addressed in the conceptual large CIP program, with substantial infrastructure planned (estimated at \$ 1.5 Billion). See description below for proposed substantial reduction in the required septic program. The Task Force final report was issued in June 2018, which recommended a new voluntary septic connection process, prioritization

system, decentralized alternatives, enhanced public outreach, and gauging public interest in the value of water/sewer.

- b. HDR was selected as the program manager in 2018. As a result of recent efforts, including an “Integrated Program” approach to meeting the County’s TMDL goals, new concepts and alternatives were explored, e.g. minor system takeover (MST), cluster treatment (some are not cost competitive because of high upfront collection system construction costs), and water reuse in the form of managed Aquifer Recharge (MAR). The concept of an integrated program combines multiple methods to reduce total nitrogen load. Managed Aquifer Recharge (MAR) was studied as a more cost effective solution and at the same time provide water supply sustainability.
  - c. HDR also reviewed approaches with MDE in a recent meeting, and the meeting went favorably. Lloyd Lewis from Mayo Community asked for clarifications, and Chris Phipps clarified that MDE are willing to go forward and gather and assess more information. The County is currently doing test wells and forming a specification for a pilot facility that treats 5-7 gallons per minute from an existing water reclamation facility (WRF).
  - d. In a recent state effort to evaluate and assess progress of WIP II, WIP III was released and the 2025 reduction goals were further refined for each county. A side by side comparison for each sectors were presented. The State recognizes that WRFs are performing excellently, and modified approach accordingly. Septic targets are lowered. However, the individual sector goals are secondary to the integrated total goal.
  - e. **Action items and issues of discussion:**
    - i. **Jerry Pesterfield from Herald Harbor raised concerns about the lack of regulations to limit new septic tank construction in the County that could be detrimental to the septic conversion effort. Coordination with Office of Planning and Zoning will be necessary.**
3. HDR further introduced the goals and detailed elements of the integrated program and the preferred management strategy.
- a. Instead of 165,000 – 200,000 lb/yr reduction target under WIP II, the nitrogen reduction target for WIP III was revised to 100,000 to 130,000 lb/yr.
  - b. HDR explored a range of program components, such as stormwater impervious area reduction, large capital improvement program (CIP), MAR, MST, and NRU upgrade program of 200 per year (Department of Health confirmed that there were 189 upgrades last year, and is expected to upgrade more than 200 units this year). The preferred strategy was made up of MST at four private plants, septic conversions at 5,400 units, and MAR at Patuxent WRF. Because of this multi-sector approach, the number of septics converted is reduced from 20,000 previously to the current 5,400.
  - c. **Action items and issues of discussion:**
    - i. **Several members of the Task Force inquired if the current cost estimations include costs within the homeowner property line. HDR to check County’s cost estimation template. (Post-meeting follow-up:**

*the construction estimates included on site piping from the cleanout to the house, and a separate line item for septic tank abandonment. No costs were added for plumbing work in and around the house.)*

ii.

4. Within the septic sector, HDR identified conversion areas essential to program success by performing prioritization of program areas.
  - a. Currently, four criteria are being identified as the prioritization factors: number of parcels within the Onsite Wastewater Management Problem Areas (OWMPA), number of parcels within the state Critical Area, proximity to existing sewer infrastructure (length of proposed piping to the existing tie in point), and cost per pound of nitrogen. The factors were scored and weighted differently in various scenarios using an Excel spreadsheet.
  - b. Three scenarios were run with the four factors taking different weights. The three scenarios identify sets of different management areas to provide 53,000 lb nitrogen removal. The top five management areas are found to be identical across all scenarios.
  - c. **Action items and issues of discussion:**
    - i. **Matthew Johnson from Office of the County Executive asked for a copy of the spreadsheet for distribution to the Task Force members. HDR to clean up spreadsheet and send out to the members.**
    - ii. **Matthew Johnson from Office of the County Executive mentioned that sea level rise in 2050 should be a criteria of prioritization. Jerry Pesterfield stated that homeowner costs are more impactful than sea level rise.**
    - iii. **Jessica Haire from the County Council mentioned that three factors should be considered as part of the program: partial deferral of cost (which are currently in place for the poor and the elderly), lengthening period of bonds, and prioritization to get subsidy.**
    - iv. **Linda Shmett from County Council – Jessica Haire’s office questioned how homeowner willingness to pay could be effectively gauged. The County answered that mostly through outreach and education efforts, especially the survey that is due to send out in the recent future. In the survey, the County can gauge how much residents value water, and look for a sweet spot for subsidies. The survey can also be used to brand this effort and provide residents with financial information.**
    - v. **Sally Hornor from AA Community College/Severn River recommended that health impacts be included as a prioritization factor. Ed Peters from the Department of Health explained that this is part of OWMPA criteria.**
    - vi. **Jerry Pesterfield emphasized the need to educate the community. If the residents are not familiar with the septic system and do not care about failing septics, the possibility of them willing to pay for connections would be low.**

5. Other septic conversion programs across the nation were discussed. HDR reviewed 11 septic conversion programs, and interviewed representatives from Olympia, WA and Suffolk County, NY.
  - a. Most programs prioritized areas of implementation.
  - b. Mandatory programs need to have robust financing on the front end.
  - c. It is important to gauge willingness to pay in voluntary programs.
6. HDR presented the objectives of the customer survey and a communication plan. Currently, the County is still at the very beginning of the timeline.
  - a. The objectives are to gather a baseline understanding of resident attitudes towards water quality, and measure willingness to pay by those who may connect and others. HDR hopes the information out of this survey will guide the policy on subsidies and gain a better understanding of affordability, and a better strategy to brand and communicate this effort.
  - b. The survey will be conducted through a variety of ways, and tested before broad implementation. The timeline will be 4-6 weeks as specified by the market research firm. 1,200 completed surveys are needed to obtain statistically significant results, and the return rate is anticipated to be 12% - 18%. The survey will not be identifying the County as the recipient of the information, and it is because key decisions are still being made and campaign plans are not in pace yet.
    - i. **A number of Task Force members commented about not identifying the County as the originator because it may cause subsequent PR problems. The County is to discuss the issue internally and come to a decision.**
    - ii. **Task Force members want to better understand where the survey will be distributed, in terms of homes with or without septic, and areas prioritized for connection.**
7. **Additional issues of concern:**
  - a. **George mentioned the representative of Edgewater Beach asked if the County can assist with the homeowner side of cost of connection from property line to house.**
  - b. **Jerry Pesterfield mentioned needing to revisit front foot assessment in the code, and suggested assessment on the basis of lot size instead of front foot. There was precedence in Heritage Harbor and should be considered for the County-wide program.**
  - c. **Jerry Pesterfield expressed that OSDS conversion should be a homeowner decision (i.e. voluntary).**

Advancing **environmental  
stewardship** in Anne Arundel County

# OSDS Strategic Planning Task Force Meeting No. 1



July 22, 2019





# Septic Task Force Members

Community Representatives	
Jim Doyle	Edgewater Beach Community
Jeff Holland	West/Rhode Riverkeeper
Jesse Iliff	South River Federation
Sally Hornor	AA Community College/Severn River
Lloyd Lewis	Mayo Community
Jerry Pesterfield	Heritage Harbor
Eric Devito	Stone Matteis Xenopoulos & Brew, PC
Eliot Powell	Whitehall Development
Ben Weschler	Linowes and Blocher LLP
Karen McJunkin	Elm Street Development

# Septic Task Force Members

Anne Arundel County Representatives	
Kim Cluney	Department of Public Works – Business and Financial Services
Matthew Johnston	Office of the County Executive – Environmental Policy Director
Jessica Haire	County Councilmember
George Heiner	Department of Public Works – Engineering
Karen Henry	Department of Public Works – Assistant Director
Albert Herb	Department of Health – Sanitary Engineering
Erik Michelsen	Department of Public Works – Watershed Protection and Restoration
Cindy Carrier	Office of Planning and Zoning – Long Range Planning Division
Chris Murphy	Department of Public Works - Engineering
Chris Phipps	Department of Public Works - Director

**01** Task Force Objectives  
& Schedule

**02** Recent Progress &  
Updates

**03** Introductions &  
Meeting Objectives

**04** Prioritization of  
Program Areas

**05** Lessons Learned – Other  
Septic Conversion  
Programs

**06** Customer Survey

**07** Decisions & Next Steps



# 01 Task Force Objectives & Schedule

# Task Force Objectives

- County Administration and Council considering new septic conversion policies to be introduced in Nov.
  - Options can include
    - Subsidies (ex. Wastewater Management Problem Areas, Critical Areas)
    - Deferred collection of fees, charges, and assessments at property transfer
- Confirm prioritization of program areas (today)
- Steer DPW's development of a conversion policy framework
  - Incentives
  - Subsidies
  - Funding
  - Public Outreach

# Task Force Schedule

- Meeting No. 1 – July 22, 2019
  - Prioritization of program areas
  - Re-convene Working Groups as necessary (and available)
- Meeting No. 2 – August 22, 2019
  - DPW draft policy framework
  - Incentive / subsidy alternatives
- Meeting No. 3 – September 19, 2019
  - Proposed funding strategy
  - Proposed incentive criteria
- Meeting No. 4 – October 15, 2019
  - Proposed administrative process for OSDS conversions
  - Project identification and implementation schedule



# Task Force Schedule – Working Groups

- Land Use – no further action unless determined in upcoming sessions.
- Fiscal – to support TF Meeting No. 2 discussion
  - Incentive / subsidy alternatives
  - Funding alternatives
- Policy – to support TF Meeting No. 3 & 4 discussion
  - Proposed incentive criteria
  - Proposed administrative process for OSDS conversions
- If any members of Land Use Working Group interested in participating in other working groups, please let us know.



# 02 Introductions & Meeting Objectives



# Meeting Objectives

*Overall objective – obtain feedback on prioritization of program areas.*

- Review Task Force Report recommendations and recent progress
- Discuss objectives and schedule for upcoming Task Force meetings
- Review Lessons Learned from other septic conversion programs
- Discuss prioritization of program areas and confirm approach
- Discuss objectives of Customer Survey

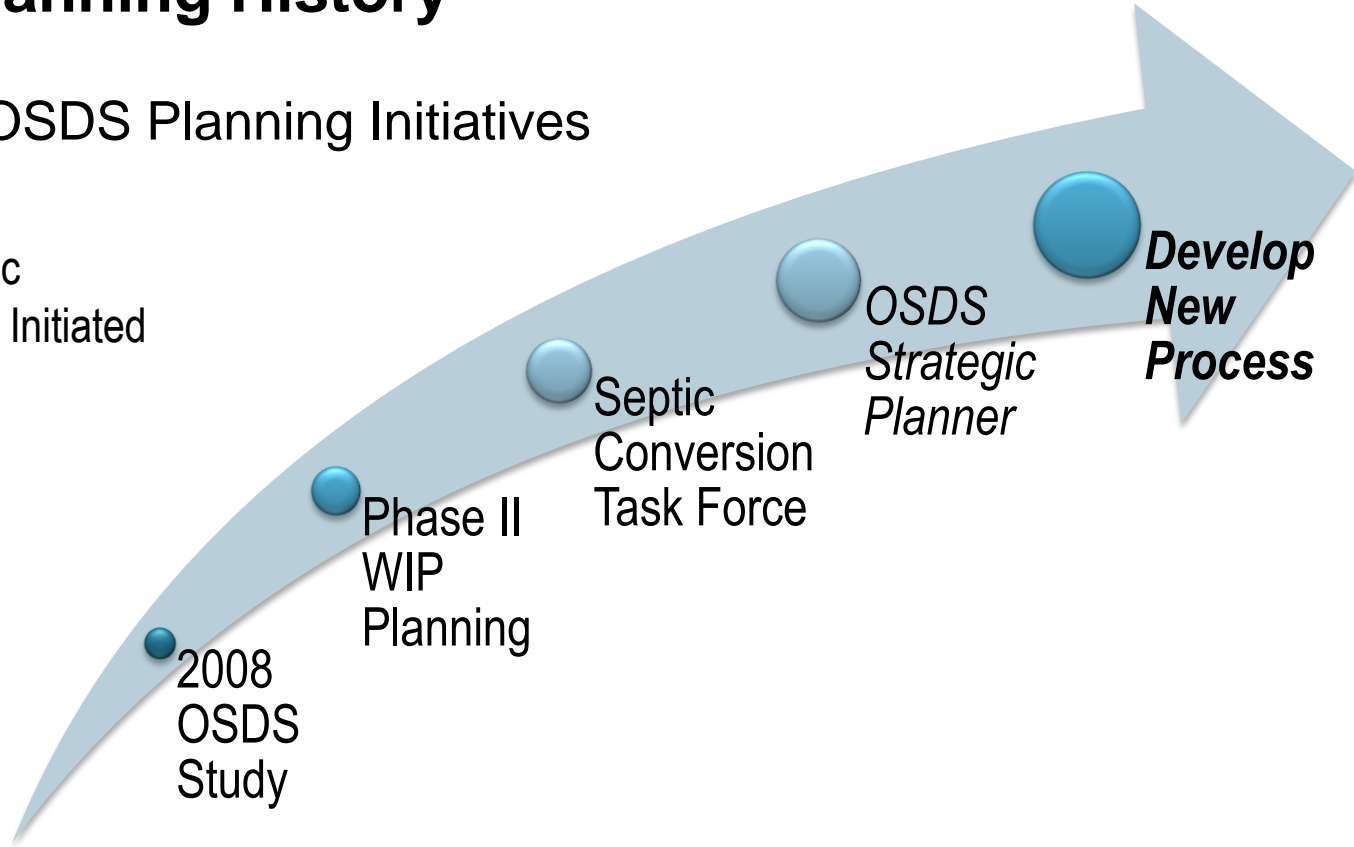


# 03 Task Force Report & Recent Progress

# OSDS Planning History

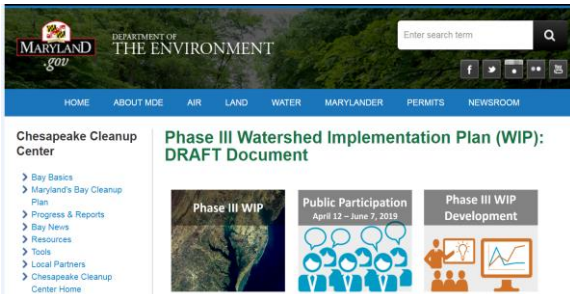
## Stages in OSDS Planning Initiatives

OSDS Strategic  
Planning Work Initiated  
in Sept. 2018



# Bay TMDL Implementation Stages

- **Phase I Watershed Implementation Plans** – States developed load allocations based on EPA direction
- **Phase II Watershed Implementation Plans**– State governments work with local governments to set target sector loads & develop implementation plans
- **Phase III Watershed Implementation Plan** – States assess progress and refine approaches for achieving 2025 reduction goals.



*Anne Arundel  
County Phase II  
WIP Submitted  
July 2012*

ENVIRONMENTAL PROTECTION  
AGENCY

[FRL-8955-4]

Clean Water Act Section 303(d):  
Preliminary Notice of Total Maximum  
Daily Load (TMDL) Development for  
the Chesapeake Bay

AGENCY: Environmental Protection  
Agency (EPA).

ACTION: Notice and initial request for  
public input.

ANNE ARUNDEL COUNTY GOVERNMENT

Chesapeake Bay TMDL

Phase II Watershed Implementation Plan

FINAL

Submitted by:  
Anne Arundel County  
Department of Public Works  
Annapolis, MD

July 2, 2012

# Anne Arundel Co Phase II WIP Loads - Basis of Planning

## Wastewater Sector

- Current Enhanced Nutrient Removal (ENR) projects will meet treatment plant allocations

## Stormwater Sector

- Urban Stormwater to be reduced by 32%

## Septic Sector

- Septic system loads to be reduced by 46%

Table 2.1 Anne Arundel County Total Delivered Nitrogen Final Target Load by Source Sector

*\*Source: MAST June 2012*

Total Delivered Nitrogen Load– By Source Sector			
Source Sector	2009 Progress <sup>(1)</sup>	Interim Target Load 2017 (60% of final target)	Final Target Load 2025
Urban	884,663	717,203	605,563
Agriculture	176,336	135,187	107,755
Septic	518,458	376,382	281,664
Forest	214,444	213,080	212,170
Wastewater	1,278,983	1,073,965	937,287
<b>Total</b>	<b>3,072,884</b>	<b>2,515,817</b>	<b>2,144,439</b>

<sup>(1)</sup> The 2011 progress load was not available for all sectors so the 2009 Progress was reported instead.

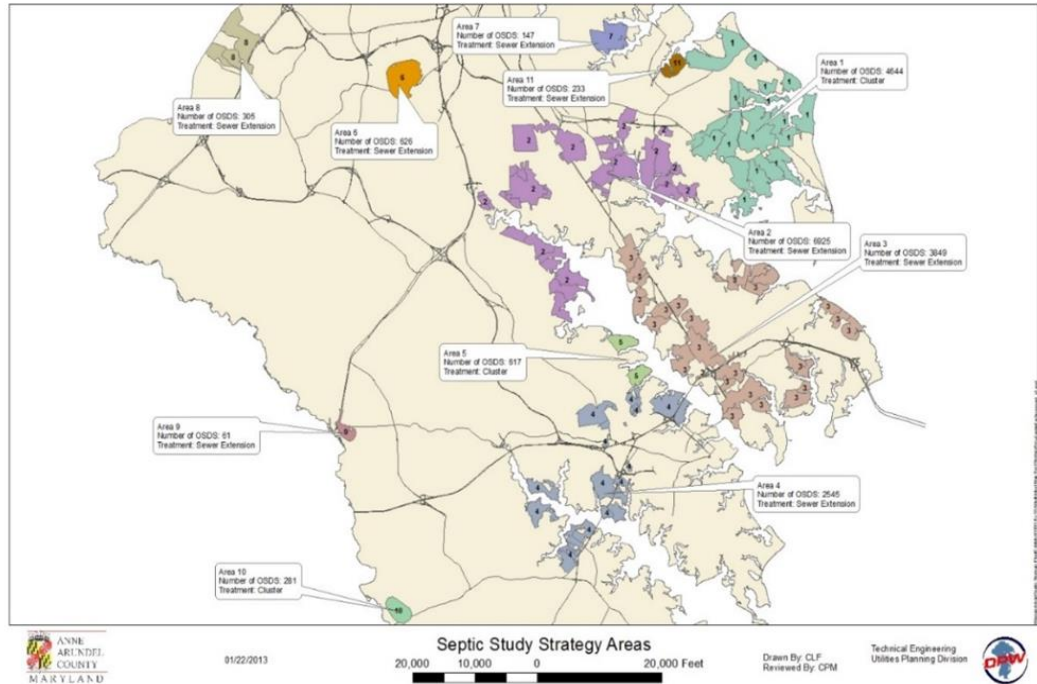
# Conceptual CIP Program

WIP Phase II envisioned connecting up to 20,000 OSDS

## Added Assets (Projections)

- 216 miles of gravity sewer
- 65 miles of force main
- 88 miles of low pressure sewer
- More than 80 new pumping stations
- 6,900 new grinder pumps

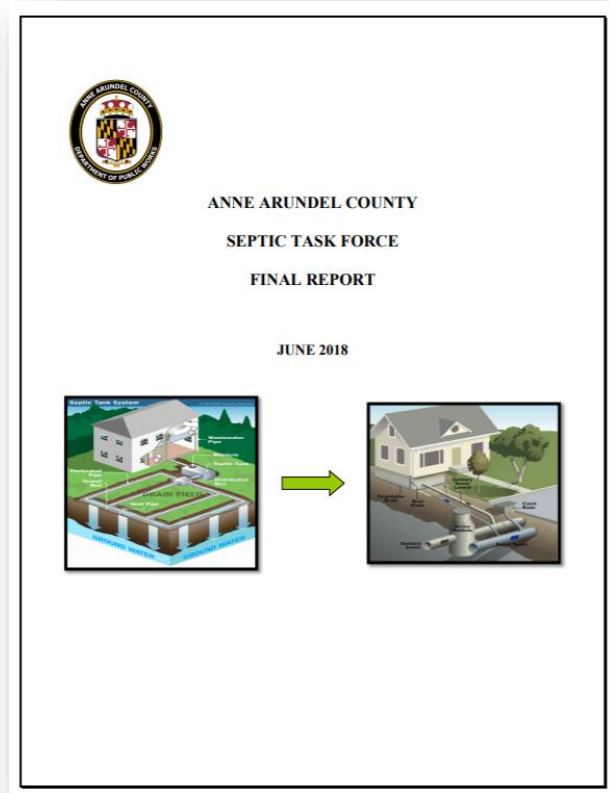
Significant expansion of current assets



Total project costs estimated at approx. \$1.5B

# Septic Task Force

- Task Force Final Report issued in June 2018
- Key Recommendations
  - Develop a new septic connection process
  - Develop a prioritization system, focusing on high impact areas
  - Non-mandatory if possible
  - *Consider decentralized alternatives*
  - Enhance public education & outreach
  - Determine public interest/valuation of sewer



# New Concepts & Approaches

## Septic Connection Alternatives

- Examining small “minor” treatment facilities for opportunities
- Studying cluster treatment alternatives
- Studying water reuse options

## Managed Aquifer Recharge

- Significant Potential to Reduce Pollutant Load (Complement Septic System Conversion)
- Groundwater Recharge—Water Supply Sustainability
- More centralized / less disruptive

*Higher Unit Cost*

*Lower Unit Cost*



# OSDS Strategic Planner

- Providing expertise in key areas – “Core Competencies” originally identified as essential for developing new OSDS program
- Expertise can be utilized to support new concepts & approaches in addition to development of OSDS Program



# Recent Progress

- OSDS Conversion Program Manager under contract September 2018 (HDR)
- Reviewed progress of current program
- Considered integrated strategies to meet nutrient goals
- Adjusted goals based on draft Phase III WIP issued by the State
- Began developing public outreach strategies
- Reviewed approach with MDE



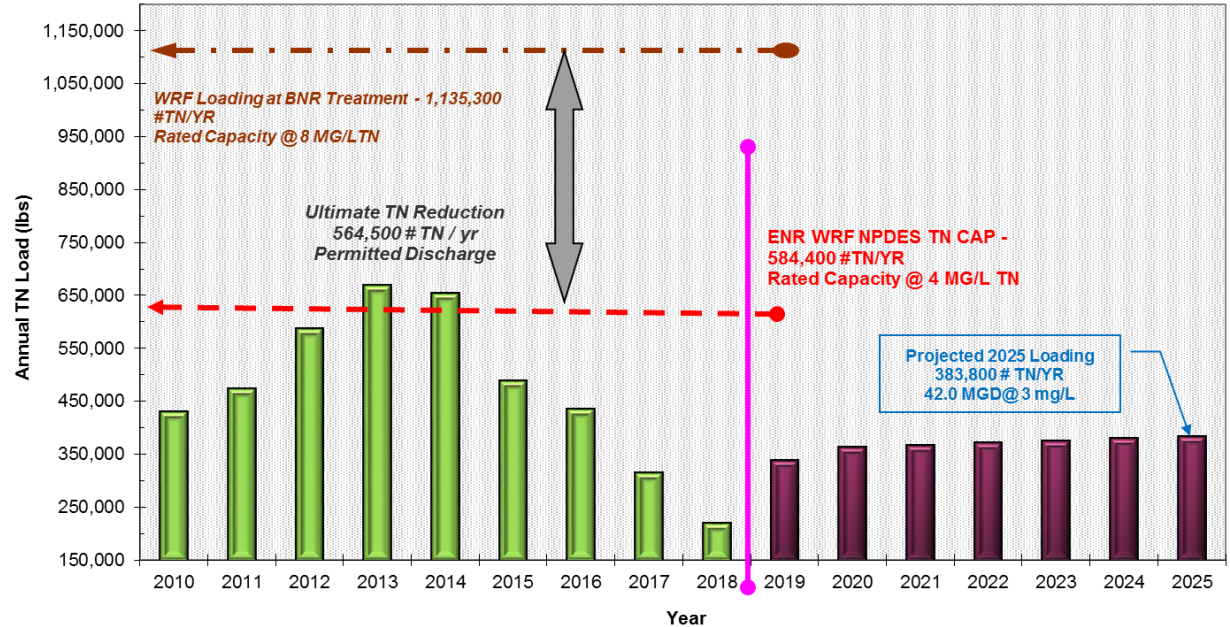
★ *Developed new targets for septic connections*

# Wastewater Program Status

- All enhanced nutrient removal (ENR) treatment plant upgrades are operational as of 2017;
- Mayo WRF off-line in 2017
- Treatment plant performance is well below nutrient allocations
- Allows for a smaller OSDS program while maintaining targets.

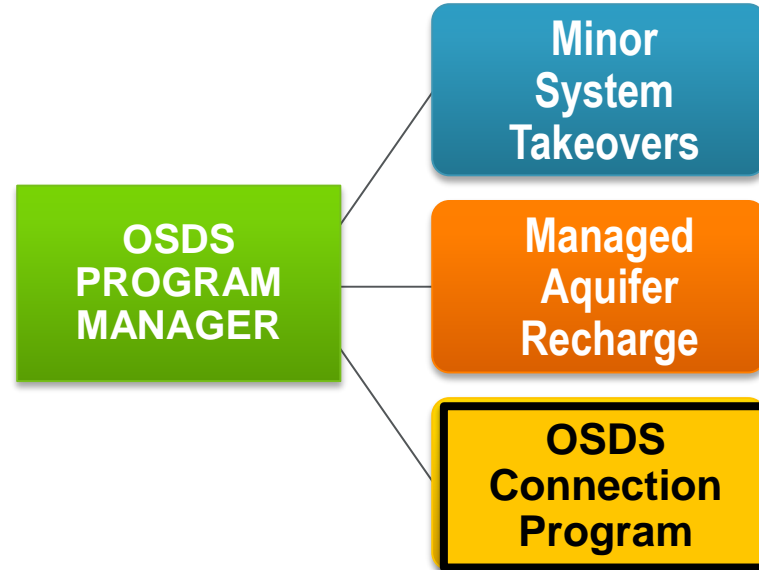
## Anne Arundel County Water Reclamation Facility Total Nitrogen Discharges

**Note:**  
Total Design Flow for major facilities based  
on 2012 NPDES permits is 47.32 MGD



# Integrated Program Concept

- Viewing overall septic program as having three program elements
  - Minor system takeovers (MST)
  - Managed aquifer recharge (MAR)
  - OSDS connection program (OSDS)
- Utilize OSDS program manager to coordinate overall strategy
  - Funding plan
  - Communications
  - Scope input
  - Policy approaches



# WIP III Overview

- Updated Chesapeake Bay model
- Overrides WIP II
- Modified sectors, baseline, and target reduction
  - Resulting decrease in County's septic reduction target

**Phase III Watershed Implementation Plan (WIP):  
DRAFT Document**



The graphic consists of three panels:
 

- Phase III WIP:** A satellite map of a watershed area.
- Public Participation:** An icon of five people with speech bubbles, dated April 12 - June 7, 2019.
- Phase III WIP Development:** An icon of a person presenting to a group, with a lightbulb and a line graph, representing the development phase.

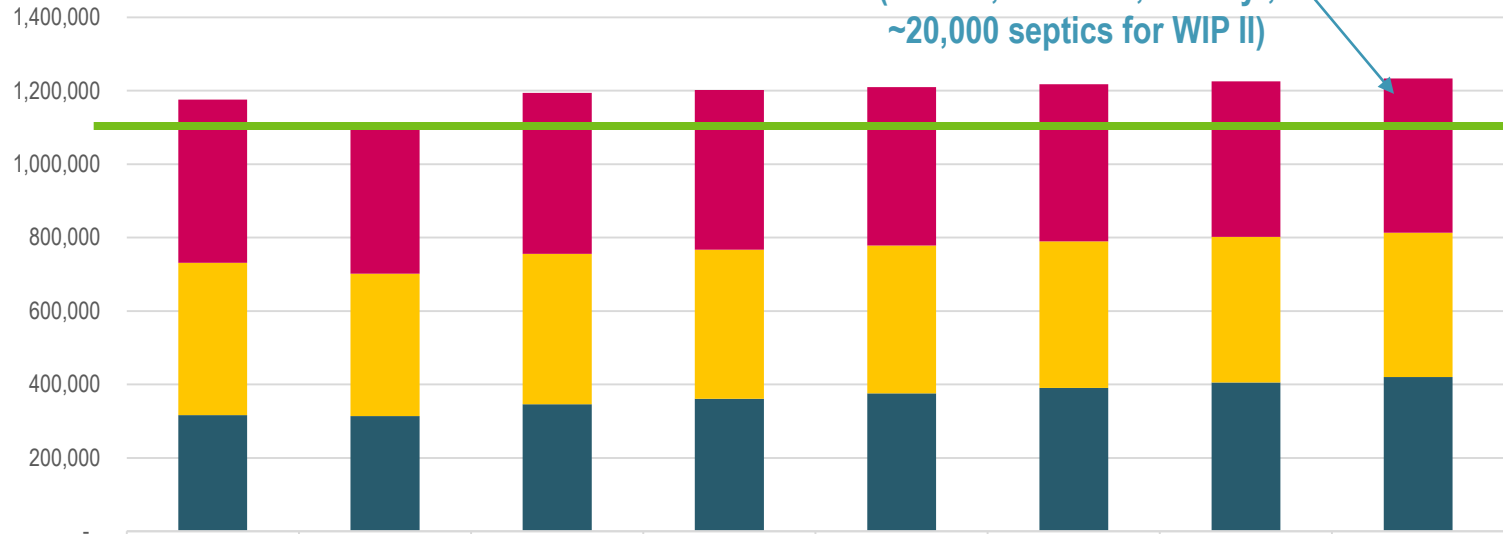
**Document Information**

- Draft WIP Posted: April 12, 2019
- Public Comment: April 12 - June 7, 2019
- Final WIP Posted: August 9, 2019

Sector	2017-2025 Reduction in # TN		Change
	WIP II	WIP III	
Agriculture	-27,432	-45,392	+65%
Urban (Stormwater)	-111,640	-20,200	-82%
Natural	N/A	-44,127	New Target
Forest	-910	N/A	Target Removed
<b>Septic</b>	<b>-94,718</b>	<b>-26,817</b>	<b>-72%</b>
Wastewater	-136,678	-379,310	+178%

# WIP III – Projected Nutrient Accounting (if we do nothing)

Δ 100,000 – 130,000 lb/yr  
(vs. 165,000 – 200,000 lb/yr,  
~20,000 septics for WIP II)



	2017	Phase III WIP	2025	2030	2035	2040	2045	2050
■ Natural	444,127	400,000	438,278	434,622	430,967	427,311	423,656	420,000
■ Septic	415,000	388,183	409,528	406,108	402,688	399,268	395,848	392,428
■ Wastewater @ 3.25 mg/L	316,586	313,500	346,266	361,106	375,946	390,786	405,626	420,466
Total w/o SW	1,175,713	1,101,683	1,194,072	1,201,837	1,209,601	1,217,366	1,225,130	1,232,894

■ Wastewater @ 3.25 mg/L   ■ Septic   ■ Natural   Total w/o SW

# Management Strategies

- Management Strategies Developed over 30 years
- Combine to reduce septic program by 72%
- Ranges considered:



Stormwater – 30% Equivalent Impervious Area Reduction



Large Septic Programs



Onsite Wastewater Management Problem Areas (OWMPA)



Managed Aquifer Recharge – up to 3 Facilities



Small Septic Programs – Adjacent to OWMPA



Minor System Upgrades



Nitrogen Reducing Units (NRUs) – up to 200/year

# Preferred Management Strategy



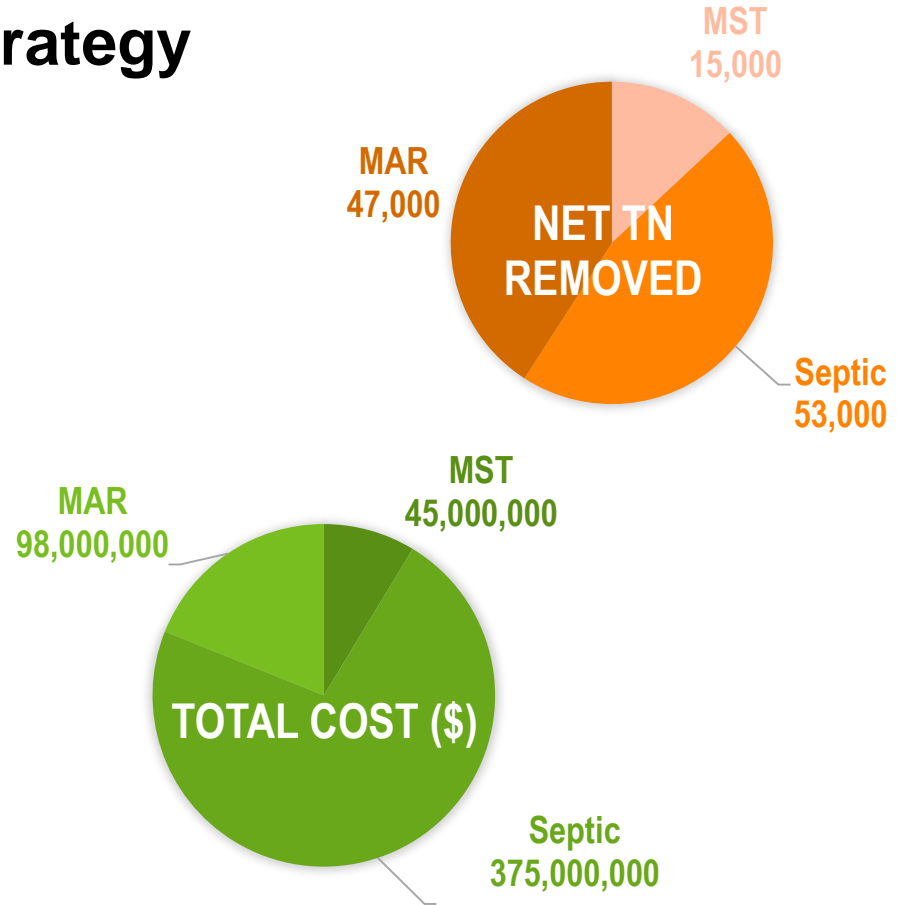
Minor System Upgrades  
\$3,000/lb



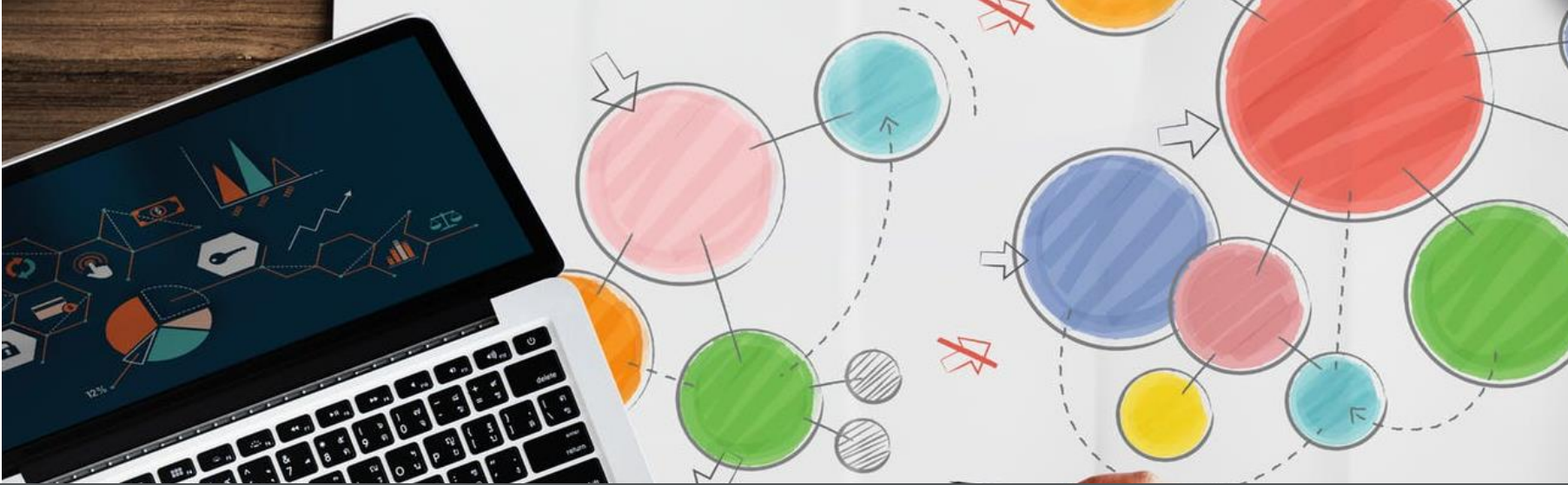
Septic conversions – 5,400  
\$7,000/lb  
Includes capital connection charge (minimal WLA transfer)



MAR – Patuxent WRF  
\$2,100/lb







# 04 Prioritization of Program Areas

# Prioritization of Program Areas

- Purpose
  - Identify conversion areas essential to overall program success
  - Develop definable criteria for setting outreach priorities
- Area groupings and implementation factors considered for prioritization
  - Onsite Wastewater Management Problem Areas (OWMPA)
  - Critical Areas
  - Proximity to existing sewer infrastructure
  - Cost per pound TN
    - Cost to connect a neighborhood or “management area”
    - Total nitrogen removal potential





# Prioritization of Program Areas (First 53,000 lb TN Removal)

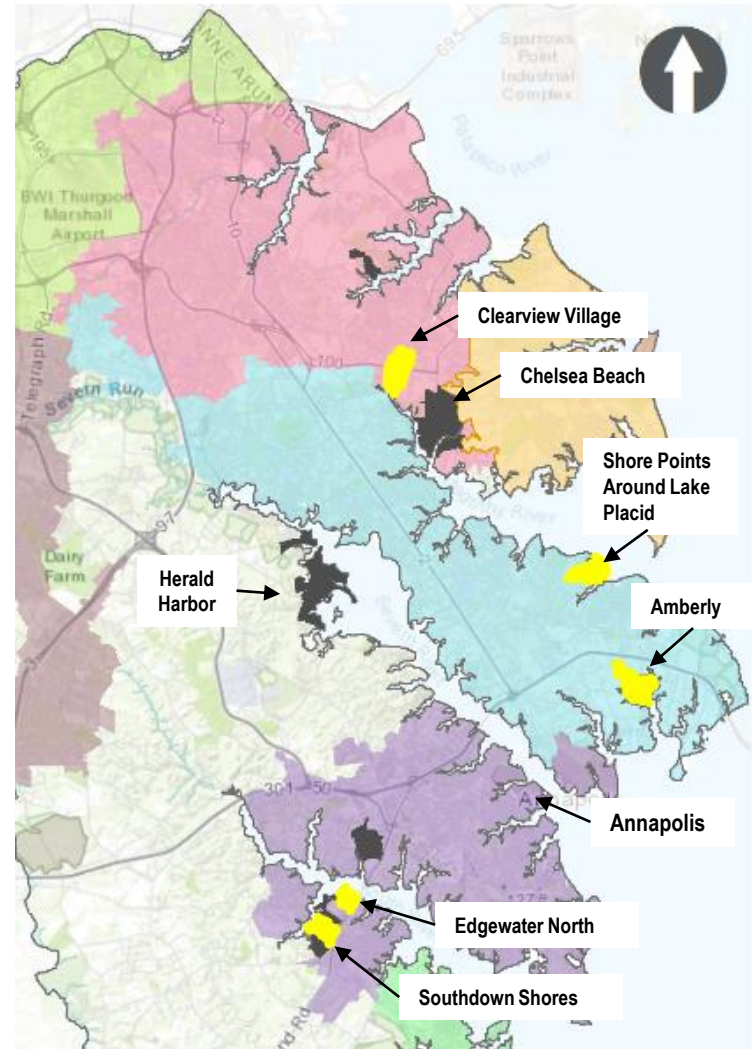
- Scenario 1
  - 33% OWM Problem Area
  - 33% Critical Area
  - 17% Proximity
  - 17% Cost
- 15 Management Areas
- \$281M total cost
- Scenario 2
  - 25% OWM Problem Area
  - 25% Critical Area
  - 25% Proximity
  - 25% Cost
- 17 Management Areas
- \$271M total cost
- Scenario 3
  - 17% OWM Problem Area
  - 17% Critical Area
  - 33% Proximity
  - 33% Cost
- 23 Management Areas
- \$260M total cost

**Top 5 Management Areas Same for Each Scenario**

# Scenario 1 Prioritization



- Top 5 Management Areas
  - Edgewater Beach (north of airport)
  - Southdown Shores (south of airport)
  - Amberly
  - Shore Points Around Lake Placid
  - Clearview Village

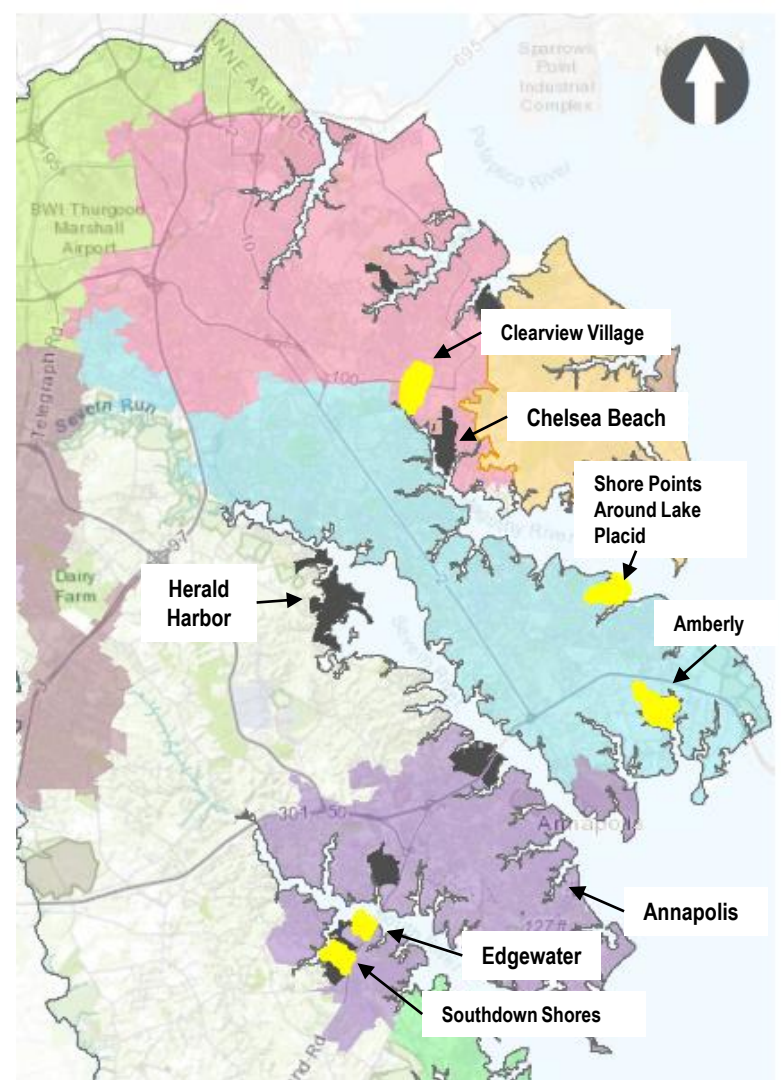
-  Top 5 MAs
-  Remainder of MAs for 53,000 lb TN Reduction



# Scenario 2 Prioritization



- Top 5 Management Areas
  - Edgewater Beach (north of airport)
  - Southdown Shores (south of airport)
  - Amberly
  - Clearview Village
  - Shore Points Around Lake Placid

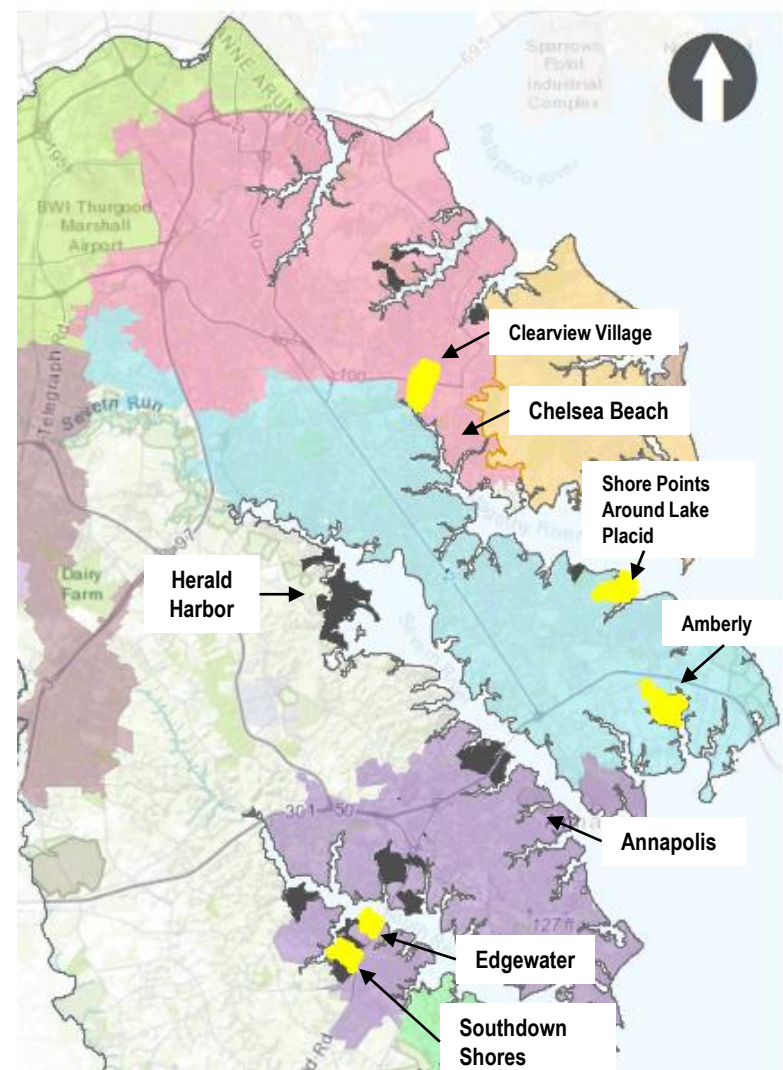
-  Top 5 MAs
-  Remainder of MAs for 53,000 lb TN Reduction



# Scenario 3 Prioritization

- Top 5 Management Areas
  - Edgewater Beach (north of airport)
  - Southdown Shores (south of airport)
  - Clearview Village
  - Amberly
  - Shore Points Around Lake Placid

-  Top 5 MAs
-  Remainder of MAs for 53,000 lb TN Reduction



# Prioritization of Program Areas

- Discussion
  - Does low sensitivity of prioritization variables translate to fairness?
    - Including 4 variables reduces sensitivity of any one factor
    - Practical considerations for extension of infrastructure: Cost and Proximity
    - Environmental benefit: OWMPA and Critical Areas
  - Should other factors be included in a second tier of prioritization?
    - Willingness to pay (assumptions based on survey results)
    - Strong property owner interest (similar to current petition process)



# 05 Lessons Learned – Other Septic Conversion Programs



# Lessons Learned from Other Septic Conversion Programs

- Reviewed 11 septic conversion programs
  - Interviewed representatives from Olympia, WA and Suffolk County, NY
- Survey of policy elements
  - Program drivers
  - Technology preferences
  - Funding / Financial Options
  - Mandatory vs. Voluntary
  - Public education strategies



# Lessons Learned – Mandatory vs. Voluntary

- Mandatory programs drive high conversion rates
  - Sarasota / Philippi Creek, Florida
    - Nearly 10,000 OSDS conversions to date (began 2001)
  - Indianapolis
    - 7,000 OSDS conversions from 2009-2013
  - Charlotte County, Florida
    - 4,769 planned connections; 2,455 connected from 2015-2018
    - County Master Plans prioritize mandatory areas
- Voluntary programs have potential to drive high conversion rates, but typically lower
  - Suffolk County, New York (Long Island)
    - Driven by clam industry decline (job losses), OSDS failures from Superstorm Sandy
    - 6,400 connections planned (new program)



# Lessons Learned – Policy & Funding

- Prioritization for sequencing and/or eligibility
  - Typically centered on reducing Nitrogen loads
  - Cost, economic development impact also considered
- Property owners' willingness to pay drives policy approach
  - Suffolk County, NY ballot vote
    - 2 communities passed annual tax (\$470, \$532) to pay for 5,600 conversions
    - 1 community voted no on \$755 tax
- Readiness-to-Serve charges common for voluntary programs



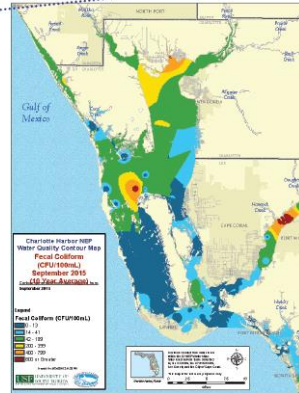
# Lessons Learned – Policy & Funding

- Grant & loan funding important and varies widely
  - FEMA, regional watershed restoration funds, SRFs part of comprehensive funding strategy
- Incentives structured depending on programs' unique financing sources
  - Incentive fills need depending on funding sources (loan, grant, or CIP?)
  - Rebates for recently installed septic systems
  - Long-term financing options (i.e. deferred payments, bond terms)
  - Not “one size fits all”



# Lessons Learned – Public Outreach

- Robust Public Outreach campaigns drive program success
  - Charlotte Co, Florida (mandatory program)
    - Educational materials - septic system basics; relationship between nitrogen levels and aquatic hypoxia
    - Trailers on site for in-person response to property owner's questions and paperwork
    - Economic impact highlighted
    - Links to media coverage help to be transparent
  - Olympia, Washington (voluntary program)
    - Conversion cost components explained clearly on website
    - Interactive map on website



## LEARN MORE ONLINE

Check out the Sewer Master Plan web page for meeting announcements and links to resources, presentations, articles, research and more.



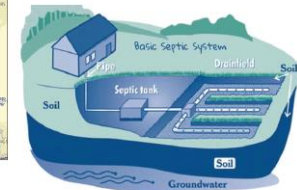
[Charlottecountyfl.gov/dept/utilities/Pages/Sewer-Master-Plan.aspx](http://Charlottecountyfl.gov/dept/utilities/Pages/Sewer-Master-Plan.aspx)

## WATER QUALITY THREATS

- |                    |            |                   |
|--------------------|------------|-------------------|
| ▶ Nutrient Loading | RESULTS IN | ▶ Closed Beaches  |
| ▶ Algae Blooms     |            | ▶ Reduced Tourism |
| ▶ Red Tide         |            | ▶ Reduced Fishing |
| ▶ Fish Kills       |            |                   |

## MAJOR POLLUTANTS

- |                            |                       |
|----------------------------|-----------------------|
| High Concentrations of:    | Rising Levels of:     |
| ▶ Nitrate                  | ▶ Phosphorus          |
| ▶ Biological Oxygen Demand | ▶ Chlorophyll a       |
| ▶ Ammonia                  | Increasing Levels of: |
|                            | ▶ Fecal Contamination |



## SEPTIC TANK TECHNOLOGY

- ▶ County's service area has 27,000 septic tanks within an average distance of 700 feet, and a maximum distance of 3,175 feet of water bodies connected to the Harbor
- ▶ As lots develop, significantly more septic tanks are possible
- ▶ With our seasonal high water table and unsuitable soils, aging systems send pollutants & bacteria into waterways

## WHAT CAN I DO TO HELP?

- ▶ Stay Informed! Sign up to receive our quarterly e-newsletter
- ▶ Participate in public meetings, workshops, and discussions
- ▶ Write a letter to the editor or an elected official
- ▶ Join a local organization/core support group



# Lessons Learned – Summary

Lesson Learned	Strategy for Anne Arundel County
500+ units/yr conversion rate not likely tenable under voluntary program	Adaptive management to maintain sustainable participation
Property owners' willingness to pay drives policy approach	Evaluate willingness to pay assumptions and use probabilistic model to set cost/incentive structure
Grant funding important to keep property owner costs down	Engage MDE for Bay Revolving Fund opportunities
Robust public outreach programs drive success	Strategic communications plan

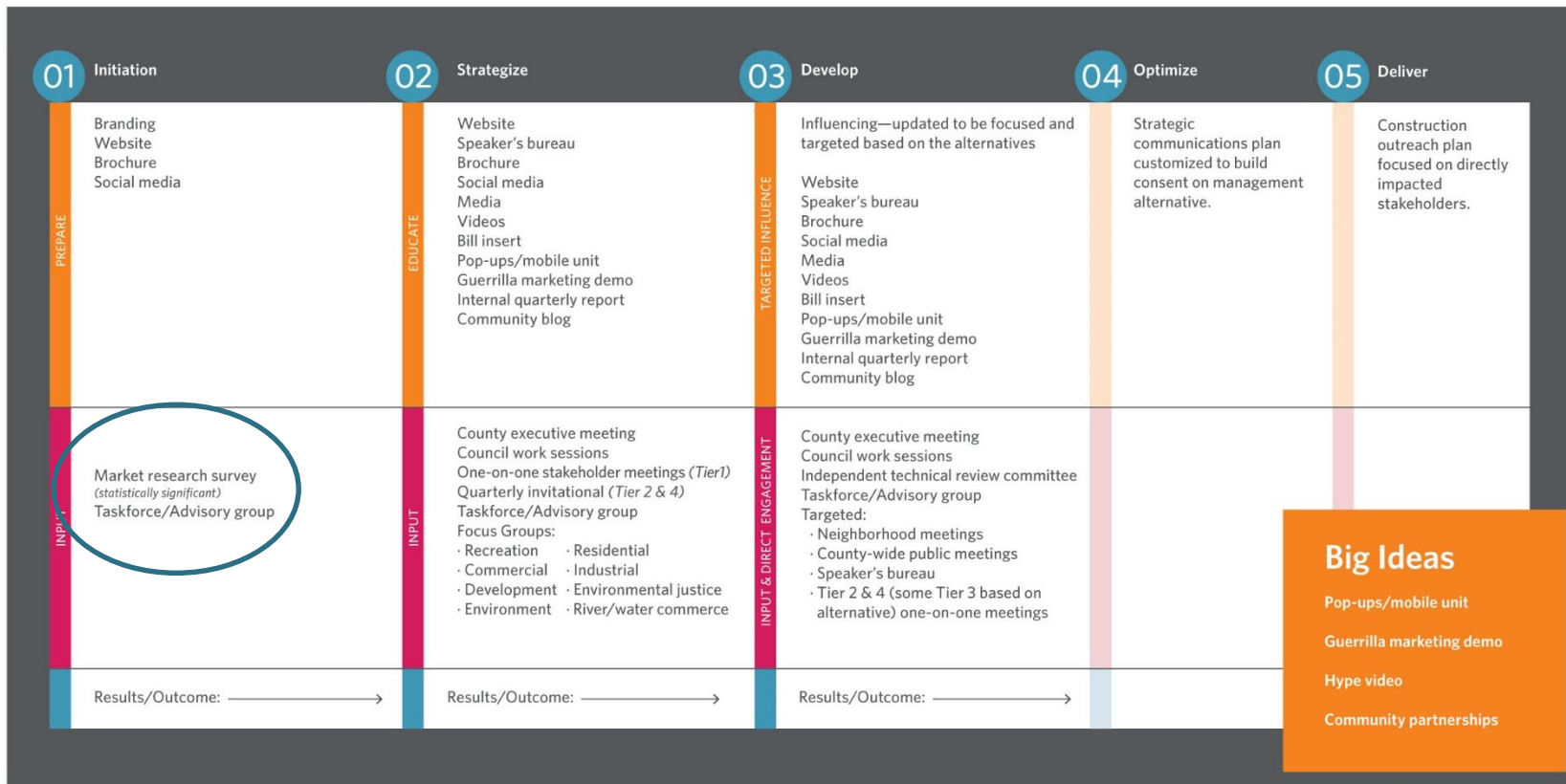


# 06 Customer Survey

# Communications Plan

## Communications Strategy

The following tools and techniques will provide a detailed outline of the process used to inform, consult, involve, and collaborate with identified stakeholders.





# Customer Survey – Objectives & Desired Outcomes

- Objectives
  - Gather a baseline understanding of general attitudes and awareness on water quality and it's impact on quality of life
  - Measure willingness to pay by those who may connect
  - Measure willingness to pay by others
- Outcomes
  - Information that will guide development of funding approach and size of incentives/subsidies
  - A better understanding of socio-economic factors to consider (i.e. affordability)
  - Further advance the communication strategy, branding and messaging to customers' and impacted landowners
  - Aid in sequencing program implementation

# Customer Survey Methodology

- Survey Administration
  - Combination of mail, online, and phone
  - Survey tested with small sample of residents before broad implementation
  - Select households receive in mail with postage-paid return envelope
  - Email and follow-up calls concentrated on demographic and geographic areas where response to mail survey is low.
  - Will not survey Bodkin Point
- Survey Analysis
  - 1,200 surveys from septic and non-septic households need to be completed to obtain statistically significant results.
  - Market research firm will analyze results and provide a final report.



**07**

**Decisions & Next Steps**

# Decisions

# Task Force Schedule

- Meeting No. 2 – August 22, 2019
  - DPW draft policy framework
  - Incentive / subsidy alternatives
- Meeting No. 3 – September 19, 2019
  - Proposed funding strategy
  - Proposed incentive criteria
- Meeting No. 4 – October 15, 2019
  - Proposed administrative process for OSDS conversions
  - Project identification and implementation schedule



# Next Steps

- Survey issued (OSDS Program Team)
- Evaluate willingness to pay (OSDS Program Team)
- DPW evaluating County contribution
- Prepare for Task Force Meeting No. 2
  - Fiscal group – Range of Incentives & Subsidies and Participation Rates
- Before Task Force Meeting No. 3
  - Policy Group – New OSDS Conversion Process

## Appendix B

### Fiscal Working Group Meeting No. 1

# 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.**

Advancing **environmental  
stewardship** in Anne Arundel County

**OSDS Strategic Planning**  
Task Force Fiscal Working  
Group Meeting



August 6, 2019



# Septic Task Force Members

Community Representatives	
Jim Doyle	Edgewater Beach Community
<b>Jeff Holland</b>	<b>West/Rhode Riverkeeper</b>
<b>Jesse Iliff</b>	<b>Arundel Rivers Federation</b>
Sally Hornor	AA Community College/Severn River
Lloyd Lewis	Mayo Community
<b>Jerry Pesterfield</b>	<b>Heritage Harbor</b>
<b>Eric Devito</b>	<b>Stone Matteis Xenopoulos &amp; Brew, PC</b>
<b>Eliot Powell</b>	<b>Whitehall Development</b>
Ben Weschler	Linowes and Blocher LLP
Karen McJunkin	Elm Street Development

# Septic Task Force Members

<b>Anne Arundel County Representatives</b>	
<b>Kim Cluney</b>	<b>Department of Public Works – Business and Financial Services</b>
<b>Matthew Johnston</b>	<b>Office of the County Executive – Environmental Policy Director</b>
<b>Jessica Haire</b>	<b>County Councilmember – District 7</b>
<b>Matt Pipkin</b>	<b>Legislative Aide – District 7</b>
<b>George Heiner</b>	<b>Department of Public Works – Engineering</b>
<b>Karen Henry</b>	<b>Department of Public Works – Assistant Director</b>
<b>Albert Herb</b>	<b>Department of Health – Sanitary Engineering</b>
<b>Erik Michelsen</b>	<b>Department of Public Works – Watershed Protection and Restoration</b>
<b>Cindy Carrier</b>	<b>Office of Planning and Zoning – Long Range Planning Division</b>
<b>Chris Murphy</b>	<b>Department of Public Works - Engineering</b>
<b>Chris Phipps</b>	<b>Department of Public Works - Director</b>

**01 Working Group  
Objectives & Schedule**

**02 Preview of Probabilistic  
Willingness to Pay  
Model**

**03 Sewer Connection  
Cost & Financing  
Variables**

**04 Test Case:  
Edgewater Beach**

**05 Decisions & Next Steps**



# 01 Working Group Objectives & Schedule

# Task Force – Fiscal Working Group Objectives

- Review Septic Connection to Public Sewer Costs
- Understand Variables that will Influence Costs
- Current Petition Process and Cost Distribution
- Use Edgewater Beach as “Test Case”
- Advise incentive and subsidy strategies (today)
- Evaluate alternative funding sources (next Working Group meeting)
  - BRF
  - Grants (FEMA, Foundations, other?)
  - Low Interest Loans
  - Private Financing
  - Fees and General Fund Revenue



# Task Force Schedule

- Fiscal Working Group Meeting No. 1 – August 6, 2019
  - Septic Conversion Costs
  - Current Petition Cost Distribution
  - Incentives / subsidies
  - Funding alternatives
- Fiscal Working Group Meeting No. 2 – date TBD
- Task Force Meeting No. 2 – August 22, 2019
  - DPW draft policy framework
  - Incentive / subsidy alternatives
- Task Force Meeting No. 3 – September 19, 2019
  - Proposed funding strategy
  - Proposed incentive criteria
- Task Force Meeting No. 4 – October 15, 2019
  - Proposed administrative process for OSDS conversions
  - Project identification and implementation schedule





# 02 Preview of Probabilistic Willingness to Pay Model

# Willingness to Pay

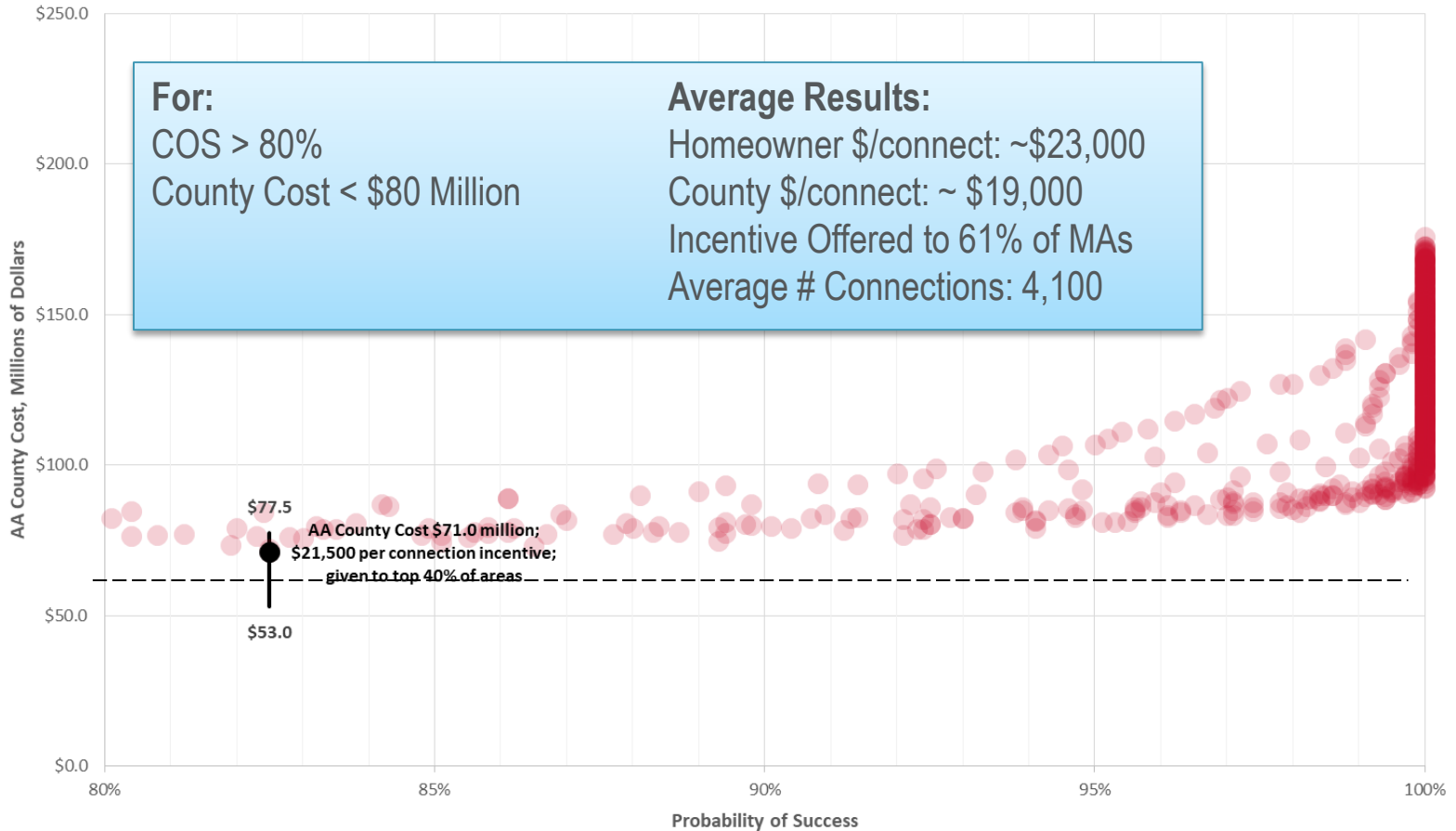
- Customer Survey Objectives

- Gather a baseline understanding of general attitudes and awareness on water quality and it's impact on quality of life
- Measure willingness to pay by those who may connect
- Measure willingness to pay by others

- Probabilistic Model

- 2 variables
  - Homeowner cost: vary from \$0 to \$50,000, with \$500 step (100 total)
  - Top percentile of management areas included in incentive: vary from 0% to 100%, with 5% step (21 total)
- 2100 simulations
- 1000 iterations per simulation

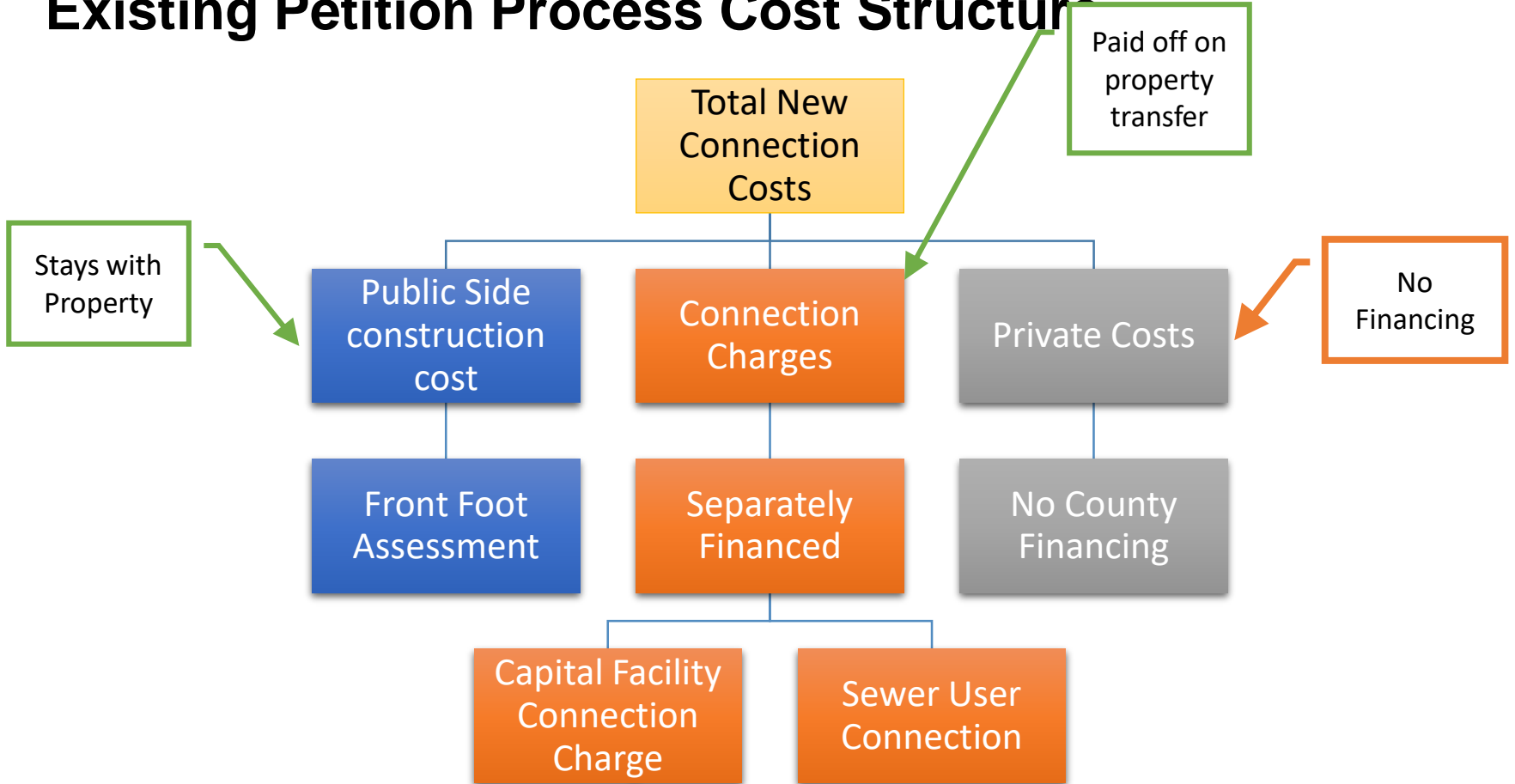
# Example: 40,000 lb/yr TN reduction, \$20,000/connection from State



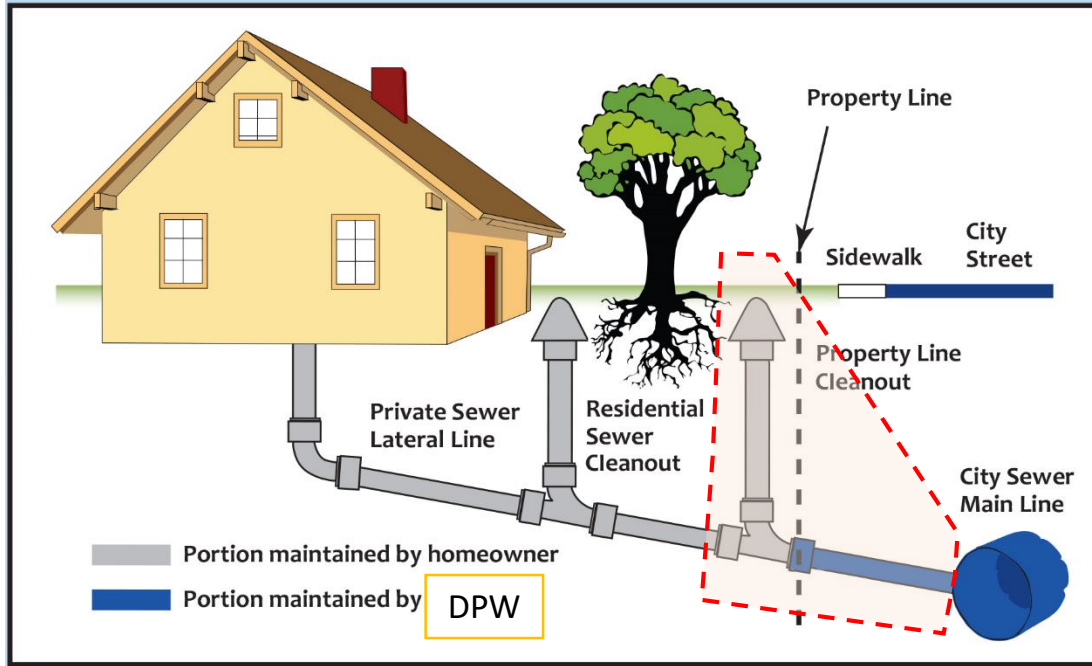



# 03 Sewer Connection Cost & Financing Variables

# Existing Petition Process Cost Structure



# Petition Costs – Typical Apportionment



 Subtracted out of project cost; added back in separately through Sewer User Connection Fee.

“Private side” General Cost Estimate from A/E –

- From beyond cleanout to approx. location of septic tank
- Incl. approx. Cost for tank abandonment
- Does not include plumbing in or adjacent to house

“Public Side” Construction Cost Estimate from A/E

- All improvements in public R/W
- Includes lateral cost up to and including cleanout

# Homeowner Private Side Costs

- Vary depending on individual situation
- Discussed with local plumbers
- Must be licensed “Septic Installer” to abandon septic
- May lead to having two contractors – Septic for abandonment as well as plumber for connection – drive costs
- Abandonment Costs - \$500 to \$1,000 (typical)
- Plumbing Costs – variable depending on
  - Lowest Elevation to be Served (will pump be needed)
  - Distance from plumbing leaving house to cleanout
  - Topography and well head location
  - Landscaping and Improvements



# Petition Cost Breakdown – Front Foot Assessment

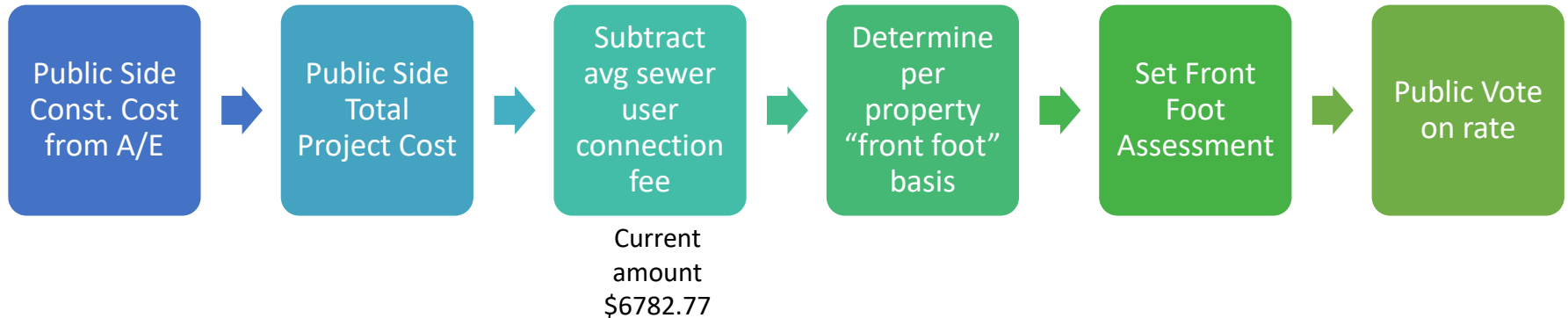
$$(Expenditure) - (Revenue) = Assessable Cost$$

## Front Foot Assessment

Stays with the property during payback period

Expenditures – Cost for Capital Project, excl. private side costs, incl. Eng. OH, CM/I, etc.

Revenues – Sewer user connection fees, State grants if applicabe



# Petition Cost Breakdown – Connection Fees

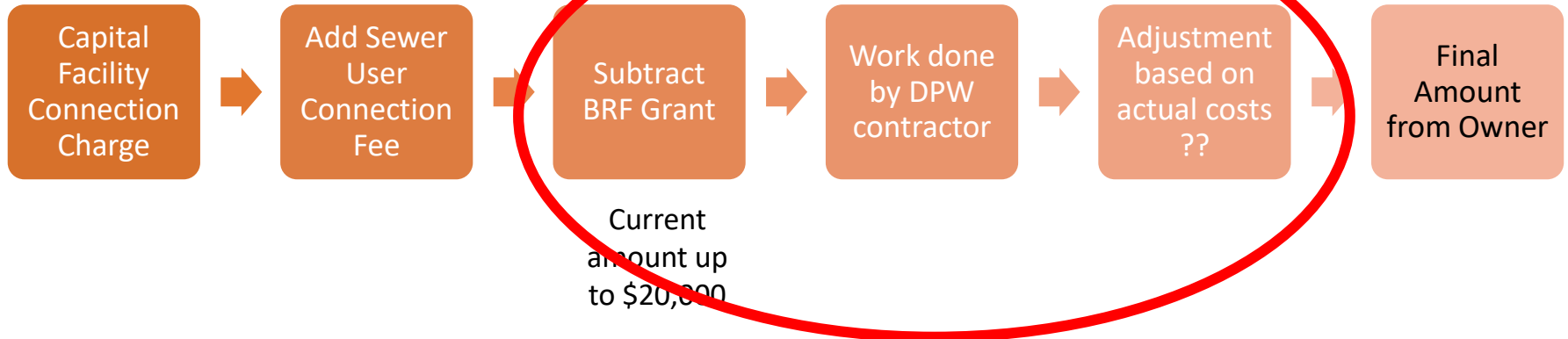
Connection Fees – Are paid off at the time of the property transfer

Capital Facility Connection charge: \$7,729 for Sewer

For treatment facility and other major infrastructure improvements.

Sewer User Connection : \$6,782.77

For the cost to go from the main line to the clean out – between a property and the public sewer main



# OSDS Conversion Financing Variables

- County Funding
  - Determining County's funding capacity provides good starting point for cost sharing evaluation
  - Based on excess capacity in utility's rate and finance structure
    - Bonding capacity?
    - User rates?
    - Depreciation fund?
    - County taxes?

# OSDS Conversion Financing Variables

- Debt Service
  - County CIP
  - Property owner connection fees
  - Bond term 30 years? 40 years?
- User Connection Fee
  - Based on actual cost of sewer extension and connection
  - Current “base permit” fee = \$6,782

# OSDS Conversion Financing Variables

- Wastewater Capital Connection Fee
  - Based on share of treatment plant capacity reserved for future users
  - Current fee = \$7,729
- Assessments
  - Right approach for this program?
  - Assessments stay with property or paid off on property transfer?
  - Consider alternatives to footage basis: lot size or per lot
- Readiness-to-serve charge
  - Typically used to cover overhead (base charge)
  - Applicability to O&M vs. capital costs (charge those delaying connection in order to recover costs)
  - Required to connect on property transfer or building permit?

# OSDS Conversion Financing Variables

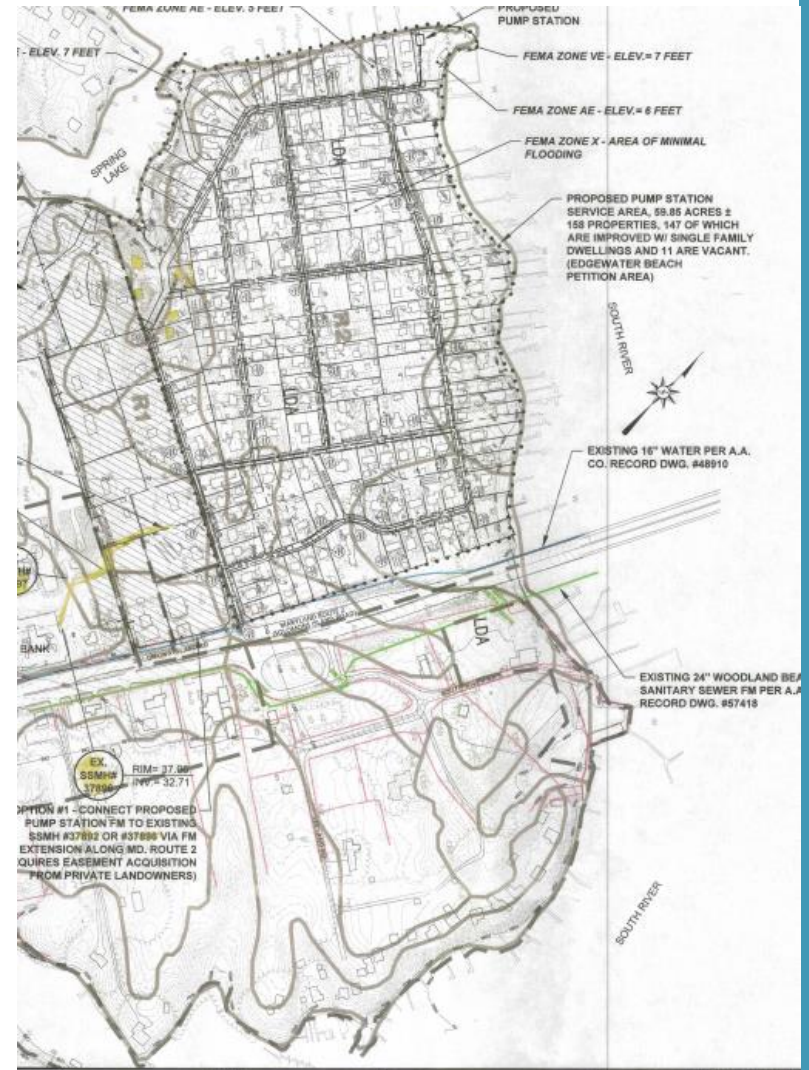
- State (BRF) Funding
  - Current Edgewater Beach offered at ~\$18,000 per connection
  - For how long is program funded?
  - Discussion with MDE more meaningful following Task Force effort
- Property Owner Funding
  - Evaluate willingness to pay
  - Monthly installments over period to match life of bond through assessment
- Other Funding Sources
  - Foundations
  - FEMA



# 04 Test Case: Edgewater Beach

# Test Case: Edgewater Beach

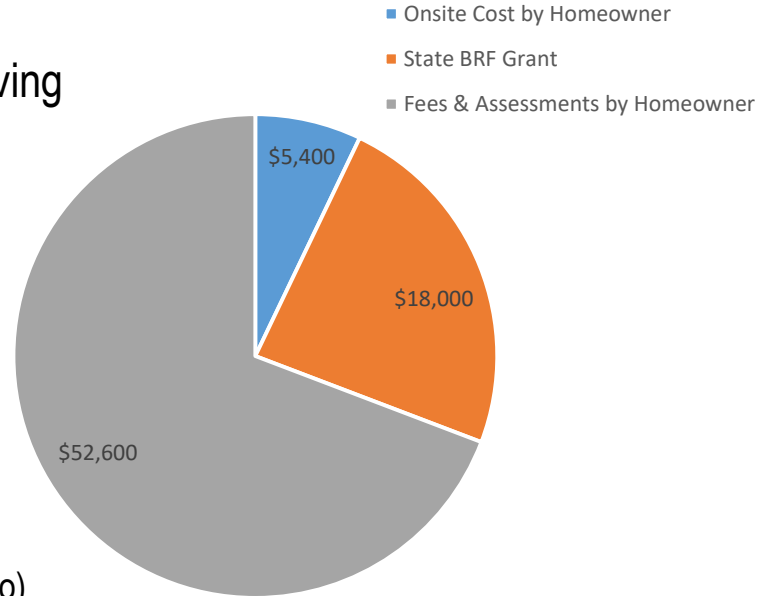
- Estimated Project Cost = \$10,874,000
  - Serves 171 connections
  - Does not include tank abandonment or onsite plumbing work
- Total program cost ~ \$13,000,000
  - Includes tank abandonment, onsite plumbing work
  - Capital Facility Connection charges
  - Does not include financing charges





# Test Case: Edgewater Beach

- Estimated \$76,000 per connection excluding paving
  - Up-front Funds
    - \$18,000 state BRF grant
    - \$5,400 Onsite costs paid by property owner (ave)
  - Financed over 30 years
    - \$6,782 User Connection fee (adjusted for actual cost)
    - \$7,027 Capital Facility Connection fee
    - \$38,446 Assessment (ave)
    - \$3,600 per year at County Standard bond rates (\$300/mo)



# Test Case: Edgewater Beach

- Alternative cost share
  - Voluntary/mandatory vs. voluntary/voluntary
  - Incentives/deferments
  - When deferments are paid off
  - When assessments are paid off

# Test Case: Edgewater Beach

- Voluntary/mandatory
  - Similar to existing petition process
  - If community votes to connect, all in community must connect
  - Lowers County up front costs for initial infrastructure
- Voluntary/voluntary
  - Not required to connect if community votes to connect
    - Readiness to serve charge
  - County pays for excess cost of initial infrastructure vs. those who choose to connect
  - Will be modeled but lowers chance of success

# Test Case: Edgewater Beach

- Deferments

- Defer up to 50% of initial cost for connection
- Lowers monthly assessments
- Lump sum payment due at time of property transfer or at end of bond period?

- Incentives

- County pays for portion of costs to reduce amount paid by owner
- Lowers monthly assessment
- Lowers lump sum payment due at time of property transfer or at end of bond period
- No pay back of incentives by property owner

# Test Case: Edgewater Beach Scenario Comparison

	<b>1 Existing Petition Process</b>	<b>2 Same as 1 with 50% Deferment</b>	<b>3 Same as 2 with 70% Part., \$80/month RtS</b>	<b>4 Same as 3 with \$10,000 County “Incentive”</b>
Year 1 Participation Rate	100%	100%	70%	70%
% Cost Deferred	0%	50% P&I	50% P	50% P
Annual Readiness-to-Serve Charge	\$0	\$0	\$960	\$960
Incentive	\$0	\$0	\$0	\$10,000
Initial State Contribution	\$3,078,000	\$3,078,000	\$2,160,000	\$2,160,000
Annual Debt Service	\$400,000	\$400,000	\$400,000	\$400,000
Net Financial Impact to County (\$/year)	\$ ---	(\$200,000)	(\$280,000)	(\$350,000)
Property Owner Initial Connection Cost (typical – varies)	\$5,400	\$5,400	\$5,400	\$5,400
Annual Property Owner Assessment (connected)	\$2,700	\$1,600	\$1,600	\$1,050
Property Owner Lump Sum at End of Bond Term	\$ ---	\$35,000	\$23,000	\$18,000

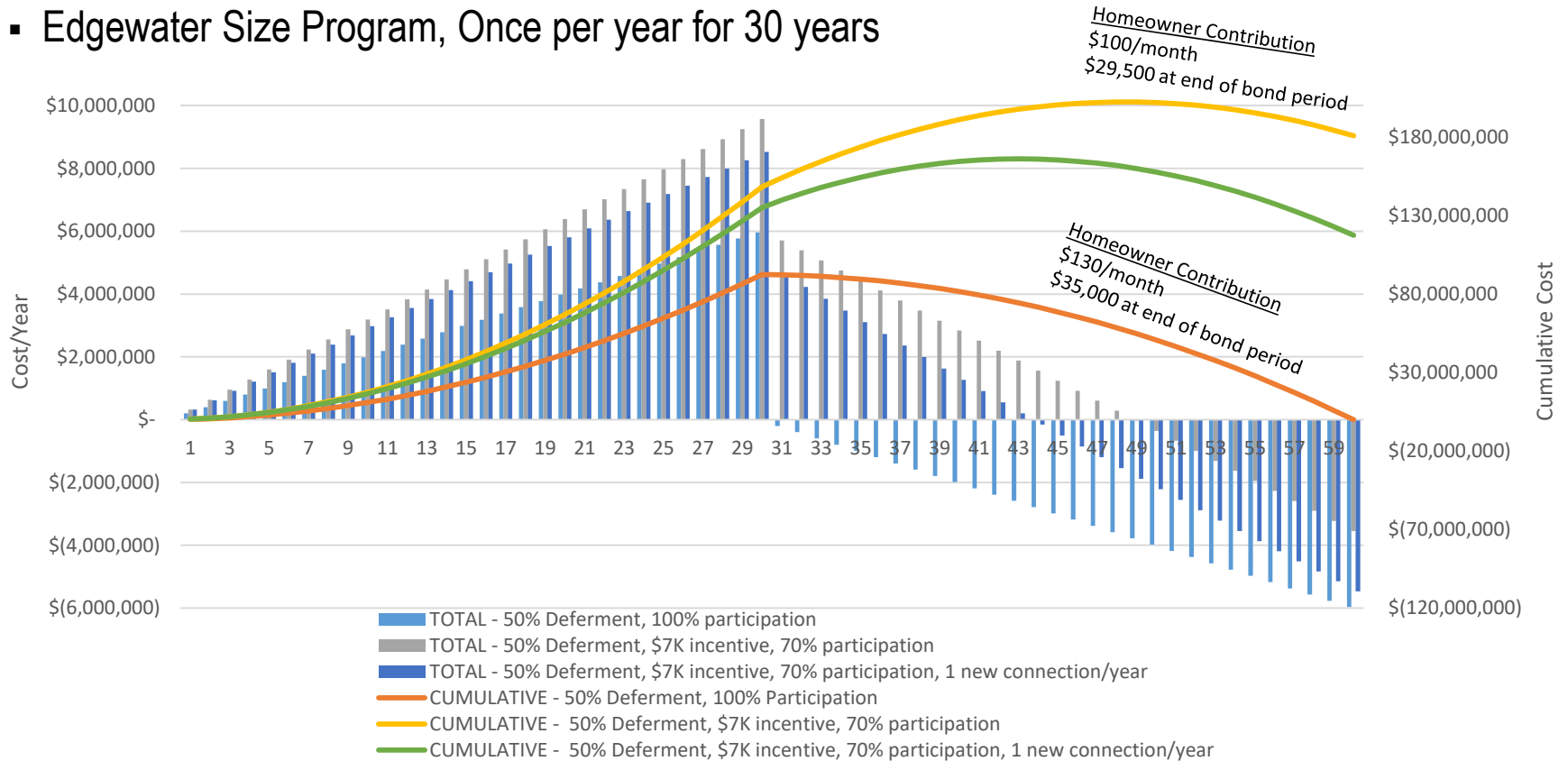
Notes: All scenarios assume 3% interest rate, 30 yr bond term. Annual Assessment includes financing of Capital Facility Connection Charge and Sewer User Connection Charge. Deferred portion of property owner assessments becomes due in the future.

# Test Case: Edgewater Beach

- Scenarios to evaluate
  - Incentive amounts
    - Align with willingness to pay
  - Subsidies / Deferred payment
  - Deferred connections / Readiness-to-serve charges
- Extrapolate to program at large
- Establish County's funding capacity

# Test Case: Entire Program

- Edgewater Size Program, Once per year for 30 years





# 05 Decisions & Next Steps



# Decisions

# Task Force Schedule

- Meeting No. 2 – August 22, 2019
  - DPW draft policy framework
  - Incentive / subsidy alternatives
- Meeting No. 3 – September 19, 2019
  - Proposed funding strategy
  - Proposed incentive criteria
- Meeting No. 4 – October 15, 2019
  - Proposed administrative process for OSDS conversions
  - Project identification and implementation schedule



# Next Steps

- Survey issued (OSDS Program Team)
- Evaluate willingness to pay (OSDS Program Team)
- DPW evaluating County contribution
- Evaluate incentive and subsidy scenarios (OSDS Program Team)
- Task Force Meeting No. 2
- Before Task Force Meeting No. 3
  - Fiscal group – Range of Incentives & Subsidies and Participation Rates
  - Policy Group – New OSDS Conversion Process

## Appendix C

### Task Force Meeting No. 2

# Meeting Minutes

Project:	OSDS Strategic Planning	
Subject:	Task Force Meeting No. 2	
Date:	Thursday, August 22, 2019	
Location:	2664 Riva Rd, Independence Conference Room	
Attendees:	<p>Community Representatives:            Jerry Pesterfield (Herald Harbor)            Jesse Iliff (South River Federation)            Lloyd Lewis (Mayo)            Ben Weschler (Linowes and Blocher LLP)            Sally Hornor (AA Community College/Severn River)            Jim Doyle (Edgewater Beach)</p> <p>Other Attendees:            Buddy Garland</p>	<p>Anne Arundel County Representative:            Jessica Haire (County Council)            Matt Pipkin (County Council – Jessica Haire)            Matthew Johnston (Office of the County Executive)            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)            Kim Cluney (Department of Public Works)            Cindy Carrier (Planning &amp; Zoning)</p> <p>OSDS Strategic Planning Team:            Jeff Eger (HDR)            Ed Shea (HDR)            Joe Sowinski (HDR)            Carita Parks (HDR)            Dmitry Volodin (HDR)            Ziwei He (HDR)            Michael Maker (NewGen)</p>

HDR facilitated Septic Task Force meetings on August 22, 2019. The objectives of this meeting are to update from fiscal working group, discuss alternative incentive and deferment strategies, introduce willingness-to-pay model, and present draft policy framework. The following is a summary of key points and action items:

1. HDR summarized meeting 1 decisions, action items, and progress.
  - a. DPW is identified on the customer survey, which is in the process of going out. Half the surveys are to targeted septic areas and the rest to countywide. Chris Murphy asked if other people can fill out the survey or only the people who receive them. Carita Parks answered for now we only want people who received it because we want to ensure the statistical accuracy of the participants. A couple of members were concerned that people will post the survey on social media.
  - b. HDR investigated on sea level rise areas. Although not included as separate prioritization variable, critical areas roughly align with inundation areas and is one of the criteria. **Action Item: George Heiner requested that the Policy Working Group examine the benefit of identifying sea level rise as a separate factor in terms of eligibility for potential FEMA funding. Also, test the sensitivity of cost and proximity variables to determine if they could be combined as one factor.**

- c. Septic conversion costs in prioritization model includes sewer lateral, abandonment of tank, and on-site piping.
  - d. Affordability issues are under consideration of fiscal working group. Assessment method will be addressed by policy working group. Department of Public Works (DPW) to coordinate with Planning and Zoning and Department of Health (DH) to address new septic tank regulations.
  - e. Councilwoman Haire provided update on prospective legislation: Full deferment exist in the current code for the poor and the elderly. For this program, rather than full deferment, aim for 50% deferment to see if it is workable for the County to fund. If not, the percentage of deferment needs to be analyzed. The deferment will be paid at either the sale of property or at the end of bond term, whichever comes first. This can be combined with longer bond terms, i.e. 40 years instead of 30. Fiscal group also needs to examine the exact number of homes to do per year. The goal is to develop a policy to introduce deferment, bond term, and incentive package that is backed up by data after 4 meetings.
2. HDR provided update for the fiscal working group meeting:
  - a. The meeting went over the financing variables and homeowner fees under the existing structure.
  - b. The group also looked at the test case of Edgewater Beach. Sewer BRF funding was able to offset up to \$18,400, which left homeowners with a front foot assessment averaging \$1,872 per property/yr average without county contribution. Costs are highly variable but a uniform and easy-to-understand payment structure is preferred.
  - c. Jim Doyle reported on an informal community survey for Edgewater Beach that included approximately one third of the homes. The range of proposed septic conversion costs per month was \$125 to \$200, and most of the people were willing to pay up to \$200/month.
  - d. Jerry Pesterfield asked if there were homes that front sewer lines but did not connect. George Heiner answered that DH investigated years ago and the numbers were not significant. This served as the foundation of "Small CIP" program. **Action item: DPW to look into a list of homes that front sewer lines but on septic system.**
  - e. Jim Doyle stated that earlier administration discussed rate change to enterprise fund users, increasing sewer and water bill with construction fee embedded into monthly bills. He suggested establishing a fund that DPW can control to raise money for loans. This was echoed by Jerry Pesterfield later, emphasizing that financing increases cost over the whole time period.
3. HDR presented probabilistic cost model and long term financial projections for the county:
  - a. Willingness to pay was assumed based on property value data and model was set up with variations in monthly payments, incentivized areas, and vote rules. The model will be informed by survey results once they are collected. Results show that lower voting threshold and lower monthly payment needs lower need to incentivize.

- b. HDR shows financial modeling over 60 years in financed and Paygo scenarios with ranges from 0 – 50% deferment. Paygo shows a reduced overall cost compared to financing, but financing allows for phased rate or tax increases. The total cost for the county is \$2.5 – 5 million per year for the first 30 years.
  - c. Jim Doyle expressed that expanding the “user base” is a financially sound way to offset costs. **Action item: DPW to evaluate whether rates were raised for other septic to sewer programs.**
  - d. Matthew Johnston asked what the \$/lb total nitrogen (TN) removal is for stormwater instead of septic. Brian Balchunas answered stormwater is about twice the cost. Councilwoman Haire asked if it makes sense to only to septic, Mathew Johnston answered that both have to be done because County has a stormwater permit.
  - e. Chris Phipps asked if homeowners don’t pay anything what the cost would be for the County after state contribution. Brian Balchunas answered about 9 million. Spreading over 126,000 user base, it would come down to about 6 dollars per month to the rate payer, which is less than the stormwater fee at the moment.
4. The existing petition process was presented, along with a proposed draft policy framework visual. Task force members were invited to offer input into policy framework discussion for the upcoming working group meeting.
- a. Task Force emphasized keep it simple approach (KIS) to fees and costs. The costs should be kept simple for the homeowners.
  - b. There may be alternative ways to make it affordable and has a benefit for the County, e.g. home equity loans, partnership, alternative lenders, etc. Chris Phipps brought up road repaving to take some of the costs off of utility projects. Jim Doyle said in the past people brought up getting BGE involved to bury power lines and share costs.
  - c. Jim Doyle indicated that in Edgewater Beach, there were properties to dedicate to pumping stations, which reduces hidden costs of land acquisition.
  - d. Jerry Pesterfield suggested a uniform septic fee increase – septic users not in the program should also pay a fee to help fund the program. This may be viable since the scope of the program is much smaller than before.
  - e. There should be a policy for owners of multiple vacant lots without an intent to develop with a policy detailing how to collect fees before and at the time of connection. This program is not intended to limit development capacity and individual land rights but could have that net effect depending on funding constraints and requirements.
  - f. Jim Doyle emphasized public health consequences on top of TMDL requirement. He described an example where a woman had a 15’ deep well and just recently discovered that the septic tank was all rusted out and not functioning correctly. There is a bigger issue of quality of life and safety of drinking water.

*Advancing **environmental**  
stewardship in Anne Arundel County*

# **OSDS Strategic Planning**

## Task Force Meeting No. 2



August 22, 2019





# Septic Task Force Members

## Community Representatives

Jim Doyle	Edgewater Beach Community
Jeff Holland	West/Rhode Riverkeeper
Jesse Iliff	Arundel Rivers Federation
Sally Hornor	AA Community College/Severn River
Lloyd Lewis	Mayo Community
Jerry Pesterfield	Heritage Harbor
Eric Devito	Stone Matteis Xenopoulos & Brew, PC
Eliot Powell	Whitehall Development
Ben Wechsler	Linowes and Blocher LLP
Karen McJunkin	Elm Street Development

# County Representatives

## Anne Arundel County Representatives

Kim Cluney	Department of Public Works – Business and Financial Services
Matthew Johnston	Office of the County Executive – Environmental Policy Director
Jessica Haire	County Councilmember
George Heiner	Department of Public Works – Engineering
Karen Henry	Department of Public Works – Assistant Director
Albert Herb	Department of Health – Sanitary Engineering
Erik Michelsen	Department of Public Works – Watershed Protection and Restoration
Cindy Carrier	Office of Planning and Zoning – Long Range Planning Division
Chris Murphy	Department of Public Works - Engineering
Chris Phipps	Department of Public Works - Director

**01** Task Force Schedule & Meeting Objectives

**02** Follow Up from Meeting No. 1

**03** Fiscal Working Group Update

**04** Alternatives for Incentives and Subsidies

**05** Draft OSDS Conversion Policy Framework

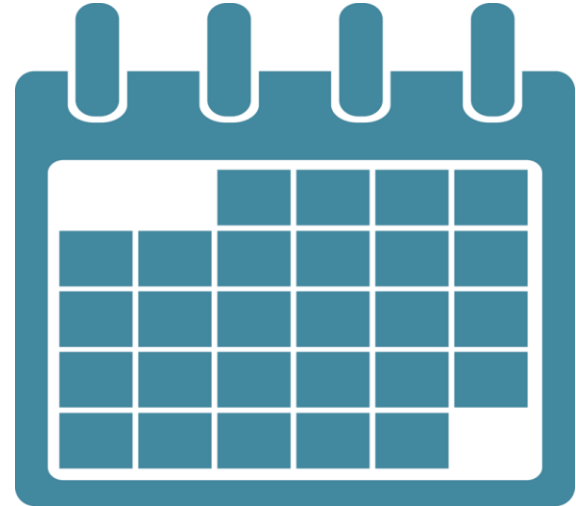
**06** Decisions & Next Steps



# 01 Task Force Schedule & Meeting Objectives

# Task Force Schedule

- ❑ **Meeting No. 1 – July 22, 2019**
  - Prioritization of program areas
  - Re-convene Working Groups as necessary (and available)
- ❑ **Meeting No. 2 – August 22, 2019**
  - Incentive / subsidy alternatives
  - DPW draft policy framework
- ❑ **Meeting No. 3 – September 19, 2019**
  - Proposed funding strategy
  - Proposed incentive criteria
- ❑ **Meeting No. 4 – October 15, 2019**
  - Proposed administrative process for OSDS conversions
  - Project identification and implementation schedule



# Task Force Schedule – Working Groups

- ❑ **Land Use** [no further action unless determined in upcoming sessions]
  - Members of Land Use Working Group interested in other working groups?
  
- ❑ **Fiscal** [met August 6]
  - Incentive / subsidy alternatives
  - Funding alternatives
  - Second meeting TBD
  
- ❑ **Policy** [meeting September 5]
  - Proposed incentive criteria
  - Proposed administrative process for OSDS conversions

# Meeting Objectives

**Overall objective:** obtain feedback on incentive & deferment alternatives

- ❑ Update from fiscal working group
  - Edgewater Beach test case
- ❑ Discuss alternative incentive strategies
- ❑ Discuss alternative deferment strategies
- ❑ Introduce willingness-to-pay model
- ❑ Present draft policy framework



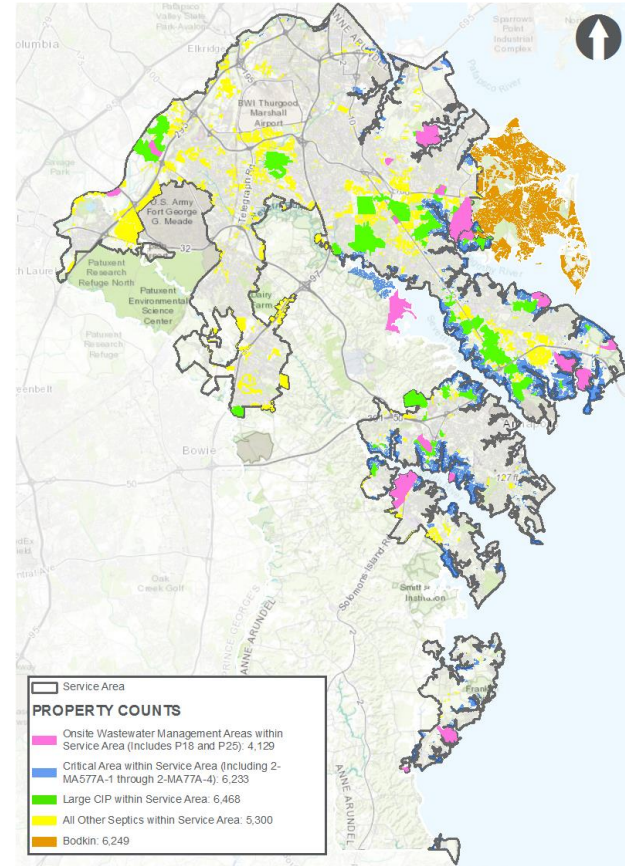
# 02 Follow-up from Meeting No. 1



# Meeting No. 1 Decisions & Action Items

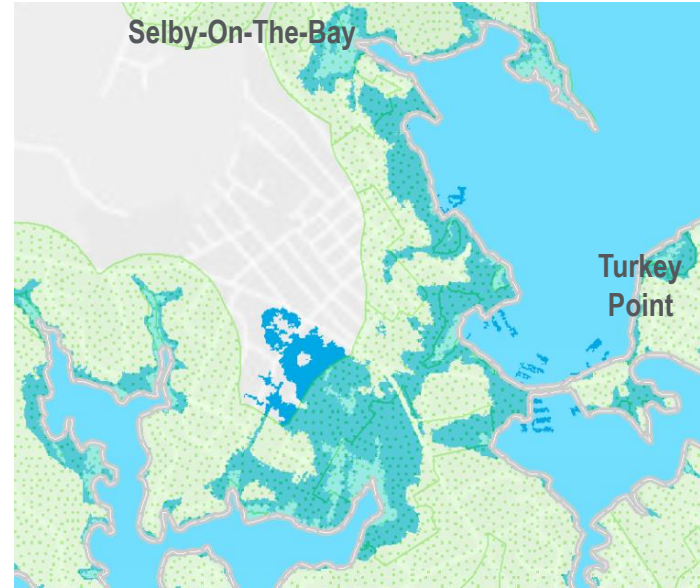
## □ Customer survey

- DPW identified as originator
- Survey distribution – where?
  - 50% of surveys collected from targeted septic areas eligible for connection in the program
  - 50% of surveys collected from residents countywide
  - Surveys have been piloted and are being distributed publicly






# Meeting No. 1 Decisions & Action Items

- ❑ **Prioritization of program areas**
  - Sea level rise should be a factor
    - Not currently included as separate prioritization variable
  
- ❑ **Maryland Commission on Climate Change**
  - Planning horizon for medium-term projects 25-50 years
  - 2080 sea level rise likely range = 1.6 - 3.1 ft
  - Mapping produced for 0'-2' and 2'-5' inundation
  
- ❑ **Impact on septic areas**
  - ~ 6,000 properties intersect 2'-5' inundation area
  - ~ 14,000 properties intersect Critical Area
  - Suggest Policy Working Group evaluate as potential 5<sup>th</sup> prioritization factor



## Legend

-  Critical Area
-  0 to 2 Foot Inundation
-  2 to 5 Foot Inundation

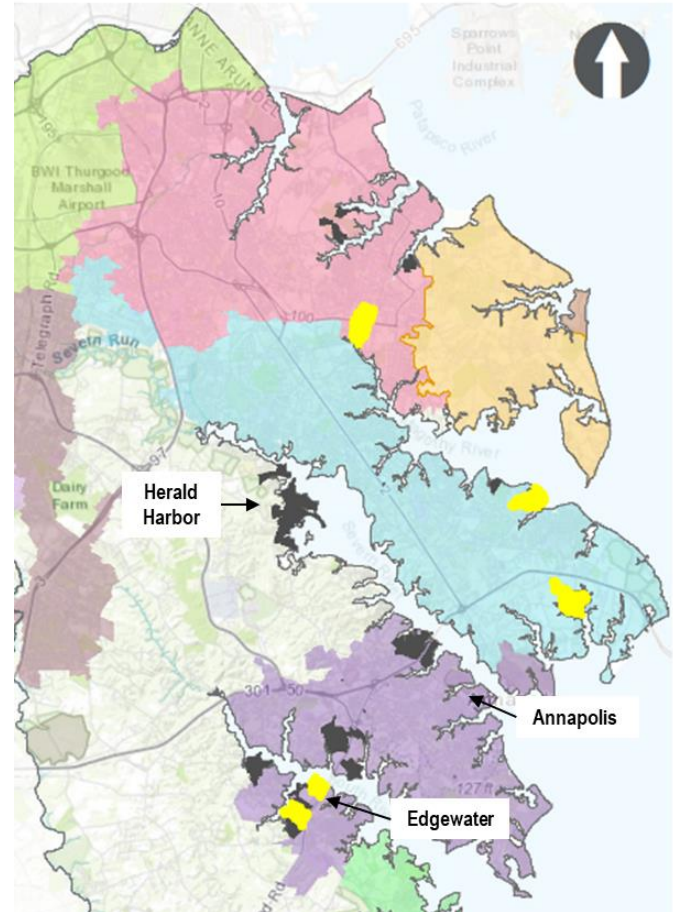
# Meeting No. 1 Decisions & Action Items

## □ Prioritization of program areas

- All 3 scenarios produced same Top 5 management areas
- Human health impacts should be a factor
  - Onsite wastewater management problem areas

## □ Recommended prioritization scenario:

- Scenario 3
  - 17% OWMPA
  - 17% Critical Areas
  - 33% Proximity
  - 33% Cost
- 4%-8% lower cost than other scenarios



# Meeting No. 1 Decisions & Action Items

- ❑ **Review regulations governing construction of new septic tanks**
  - DPW to coordinate with Planning & Zoning, Dept Health
  - Should septic fee for new development be considered?
- ❑ **Septic conversion costs used in prioritization model**
  - Includes sewer lateral and abandonment of septic tank
  - Includes 40 feet on-site piping
- ❑ **Community may lack understanding of septic systems**
  - Strategic communications plan will address
- ❑ **Basis of front foot assessments – lot size vs. footage**
  - Policy Working Group to address (consensus moving to per dwelling unit basis)
- ❑ **Address affordability: deferments, longer bond terms, subsidies**
  - Under consideration by Fiscal Working Group

# Council Legislative Update

- Incentives

- Deferments

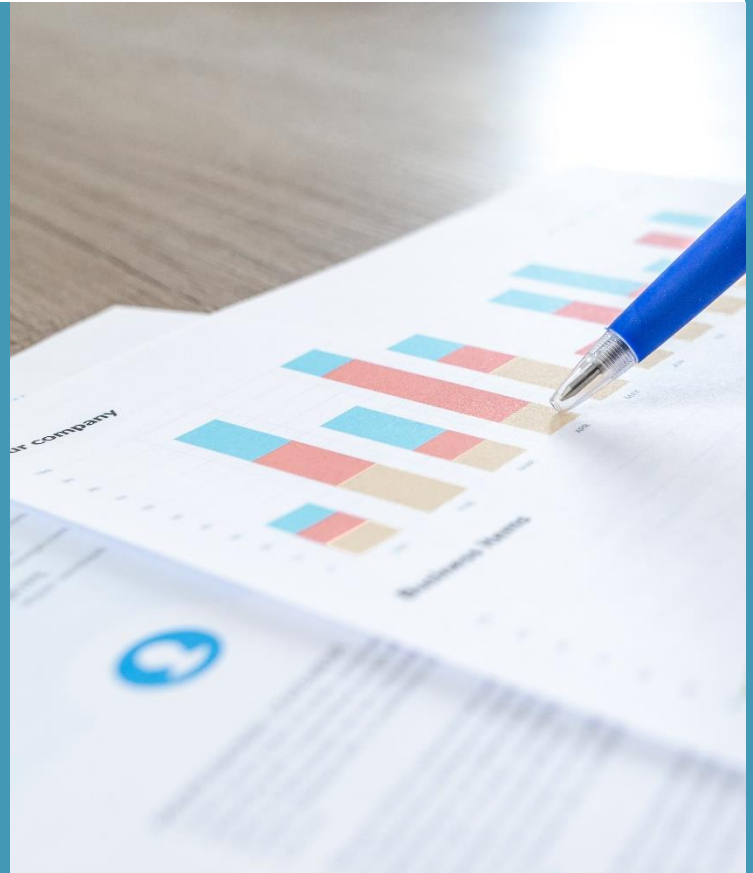


# 03 Fiscal Working Group Update

# OSDS Conversion Program Overview

## \$400M Program

- Average \$66,000 per connection for highest priority management areas (includes all fees engineering, admin, etc)
- Plan for 6,000 septic conversions
  - 200/year x 30 years
  - TN reduction target met with 5,400 septic conversions
- Additional ~\$143M for Managed Aquifer Recharge and Minor System Takeover



# OSDS Conversion Financing Variables



## County Funding

- Debt Service
- Bond Term
- User Rates
- Taxes

## Sewer Connection Costs

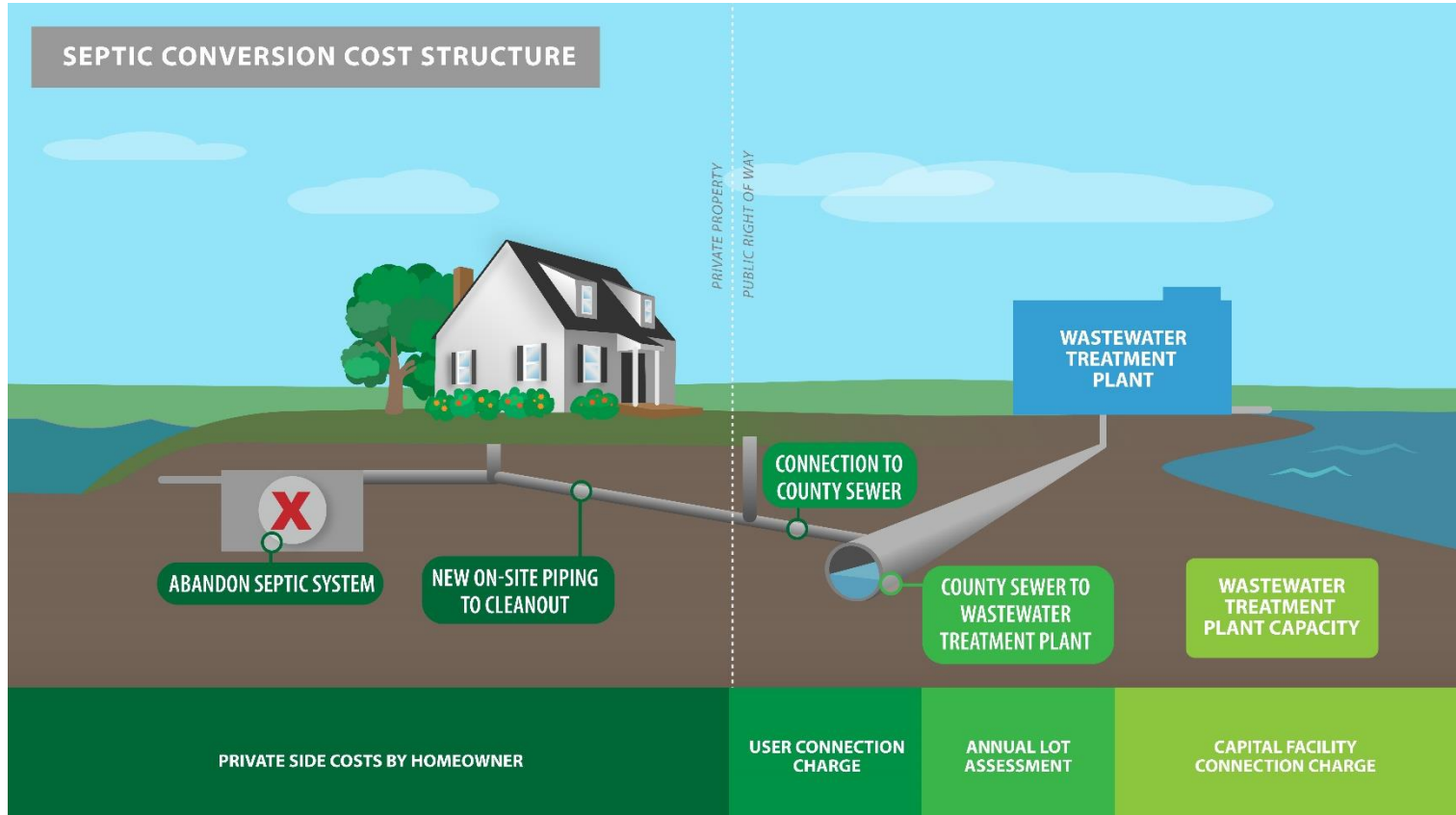
- User Connection Fee
- Wastewater Capital Connection Fee
- Lot Assessments
- Financing vs. PayGo

## State Funding

- Bay Restoration Fund (BRF)



# Sewer Connection Cost Variables

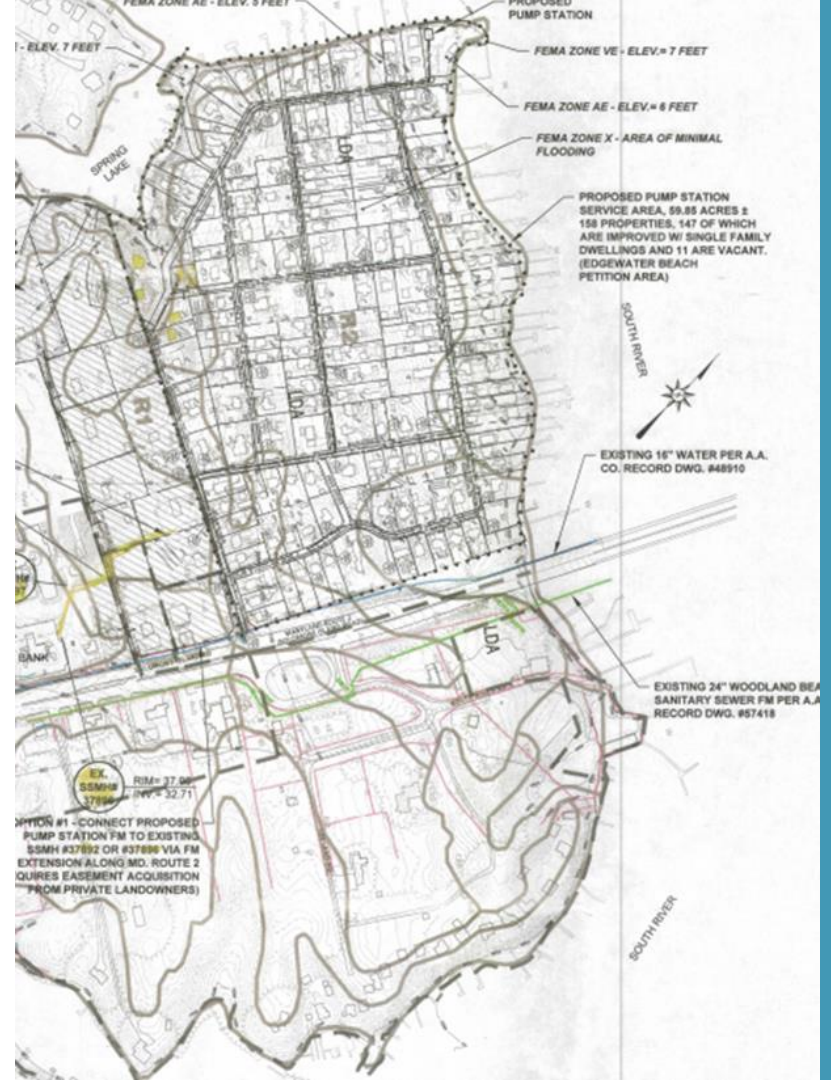


# Test Case: Edgewater Beach

## □ Typical connection costs

- ~\$20,000 up front costs (fees, on-site plumbing)
- Sewer BRF grant up to \$18,400 offsets costs
- Front-Foot Assessment
  - Annually for 30 years
  - \$1,872 per property average per year

## □ No County contribution



# Test Case: Edgewater Beach

- ❑ **Evaluated 30 years of “Edgewater Beach-sized” projects to meet target**
  - Incentives to reduce monthly costs
  - Partial deferment of costs, payable upon property transfer
- ❑ **Voluntary vs. Mandatory**
  - Considered readiness-to-serve charges (all voluntary program)
  - Recommend “Voluntary Vote, then Mandatory” like existing
  - Evaluate approval threshold (50%, 60%, etc)
- ❑ **Key Outcomes**
  - Cumulative County cost could exceed \$180M to fund meaningful incentives / subsidies
    - DPW evaluating potential user rate impacts
    - Need to consider taxes and other funding sources
    - Sunset provisions could be way to add flexibility for County
  - Private side costs highly variable (average \$6,400, range up to \$18,000)
  - Prefer easy-to-understand and uniform payment structure



# 04 Alternatives for Incentives and Subsidies

# Willingness to Pay

## □ Customer Survey Objectives

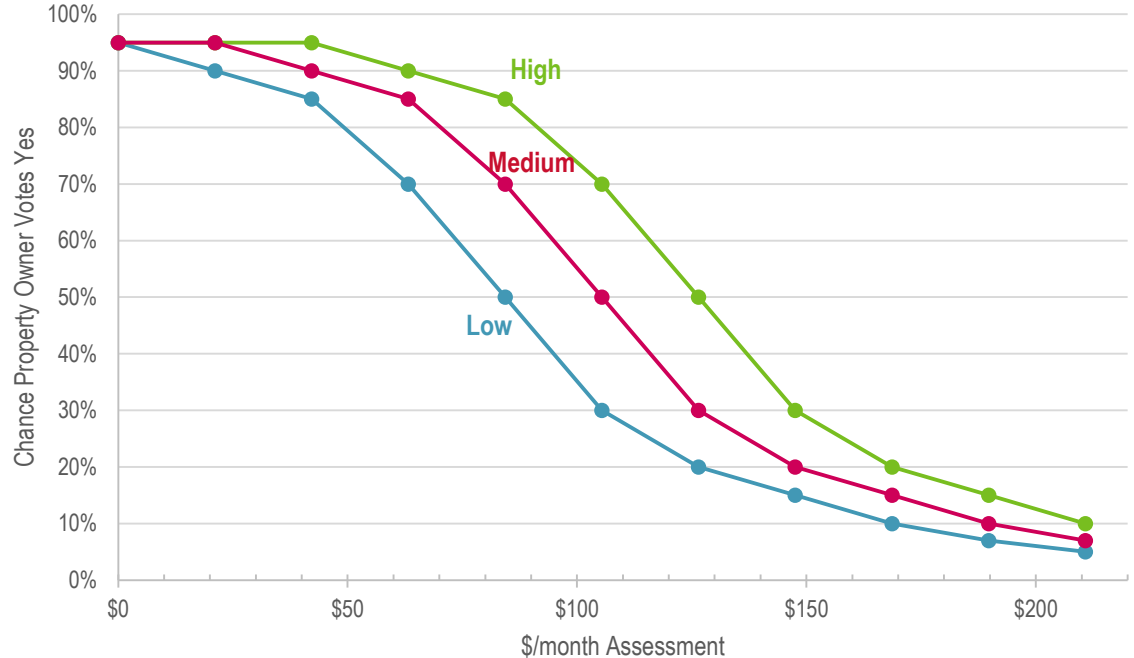
- Gather a baseline understanding of general attitudes and awareness on water quality and its impact on quality of life
- Measure willingness to pay by those who may connect
- Measure willingness to pay by others

## □ Probabilistic Model

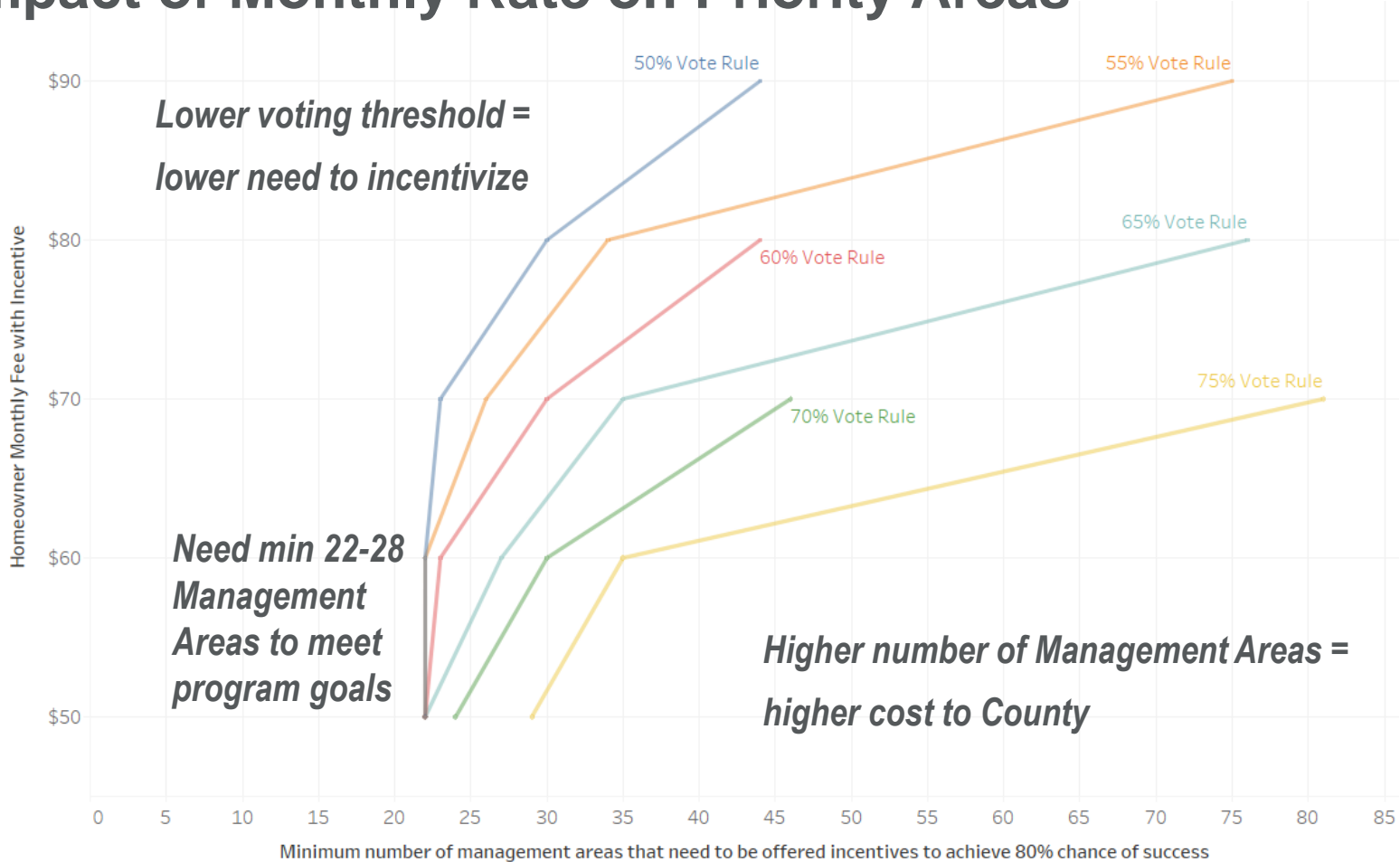
- 3 variables
  - Homeowner monthly payment: vary from \$50 to \$150 per month, with \$10 step (11 total)
  - Number of management areas included in incentive: vary from 1 to 87, with 1 step (87 total)
  - Vote rule: 50%+1 to 75%+1, with 5% step (6 total)
- 5,742 simulations
- 100 iterations per simulation

# Value-Based Voting Probability

- ❑ Matched MAs to Census Block Groups
- ❑ Properties in Block Groups divided into three categories:
  - Low: \$0-\$499,999 (majority)
  - Medium: \$500,000-\$999,999
  - High: \$1,000,000 and over
  - Not to be used for prioritization or project definition
- ❑ Vote rule (50% to 75% majority) determined if there is enough Yes votes to join the program



# Impact of Monthly Rate on Priority Areas



# Monthly Cost Modeling Summary

## ❑ Targeted monthly cost to property owner

- For higher cost to property owner, more communities need to be incentivized
- Based on probability of success for overall program
- \$50 - \$90 per month range to be validated by Customer Survey
- Need to also consider user fees for new service

## ❑ Voting Probability

- Increased voting % threshold for targeted program reduces number of participating communities, increases program cost



# Incentives

## ❑ Purpose/goals of incentive:

- Encourage communities to connect to public sewer
- Control timing of community interest
- Complement BRF grant or other available funding

## ❑ Alternative incentive structures

- Up-front payment from BRF to offset private side costs
- Reduce/waive/rebate connection fees (Olympia, WA)
- Fixed property owner costs regardless of construction costs
- Reduce over life of program to encourage early participation (Olympia, WA)

## ❑ Amount designed to match willingness to pay

# Deferments

## ❑ Purpose/goals of deferment:

- Mitigate affordability challenges
  - Defer payment of a portion of costs
  - Spread costs out over time
- Complement BRF grant, incentives

## ❑ Alternative deferment structures

- Finance connection costs over bond term
- Third party loans (i.e. Olympia, WA regional non-profit)
- Defer % of connection costs until property transfer (balloon payment)

# Determination of County Commitment

## □ Base assumptions

- 200 properties per year
- \$52,000 per connection + \$6,400 in onsite costs + \$7,729 CFCC
- \$18,000 per connection BRF contribution from State
- 3% turnover per year (6 properties)
  - County average 3.3% last 5 years per Maryland SDAT
- 3% interest
- 30 year bond
- 1.5% inflation

# Determination of County Commitment

- ❑ **Model different incentive and deferment scenarios to target certain property owner monthly payments**
  - \$50-\$90/month
  - 0-50% Deferment
  - Incentives to makeup remainder
  
- ❑ **Other considerations:**
  - Model with State contribution either to County or to offset property owner costs
  - Model with County incentive either financed or Paygo

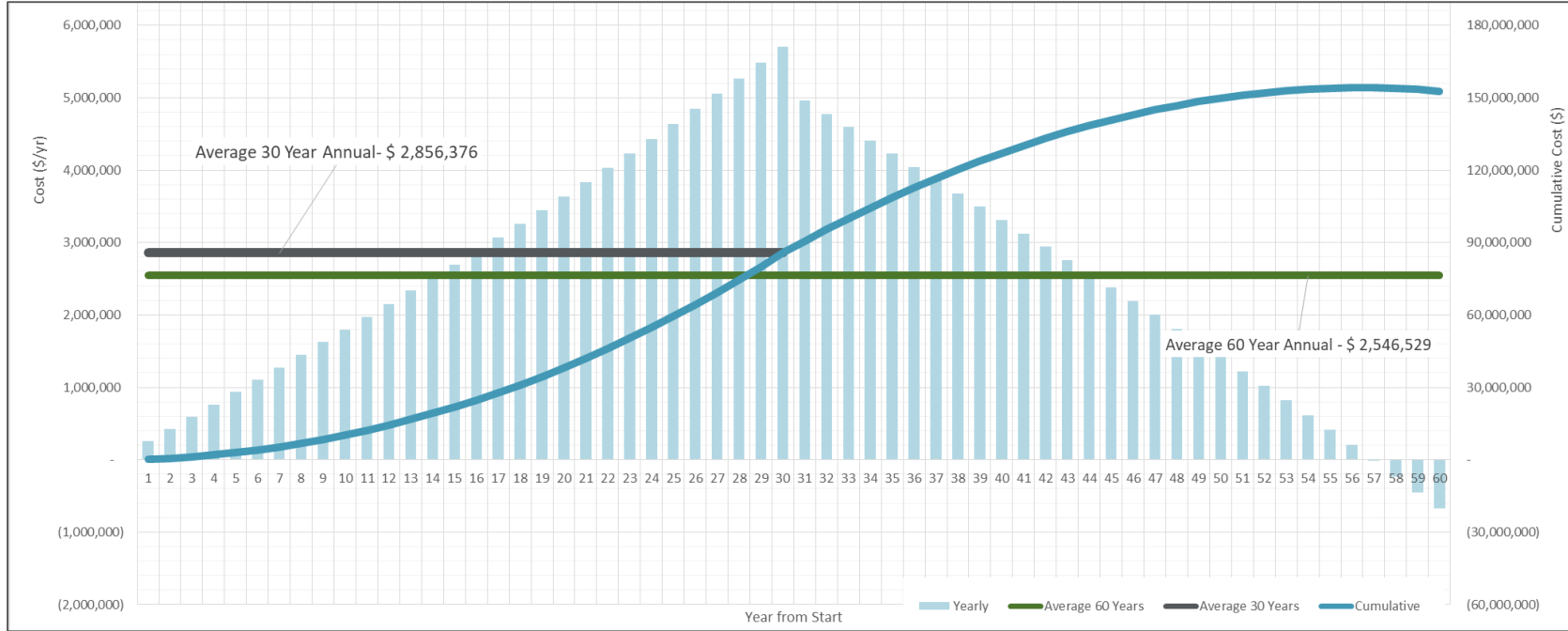
# Determination of County Commitment

*Mutually Exclusive*

*Options as Shown*

Example	Est. Add'l Annual Cost per Wastewater Customer		Est. Add'l Annual Cost per Tax Account		30-year Ave County Cost
	Years 1-5	Years 26-30	Years 1-5	Years 26-30	
1: Owner pays up-front private side costs Owner pays \$70/mo assessment 40% of assessment deferred	\$2 - \$8	\$31 - \$36	\$1 - \$4	\$18 - \$20	\$2.9M
2: State pays up-front private side costs Owner pays \$90/mo assessment 25% of assessment deferred	\$2 - \$8	\$39 - \$45	\$1 - \$5	\$22 - \$26	\$3.5M

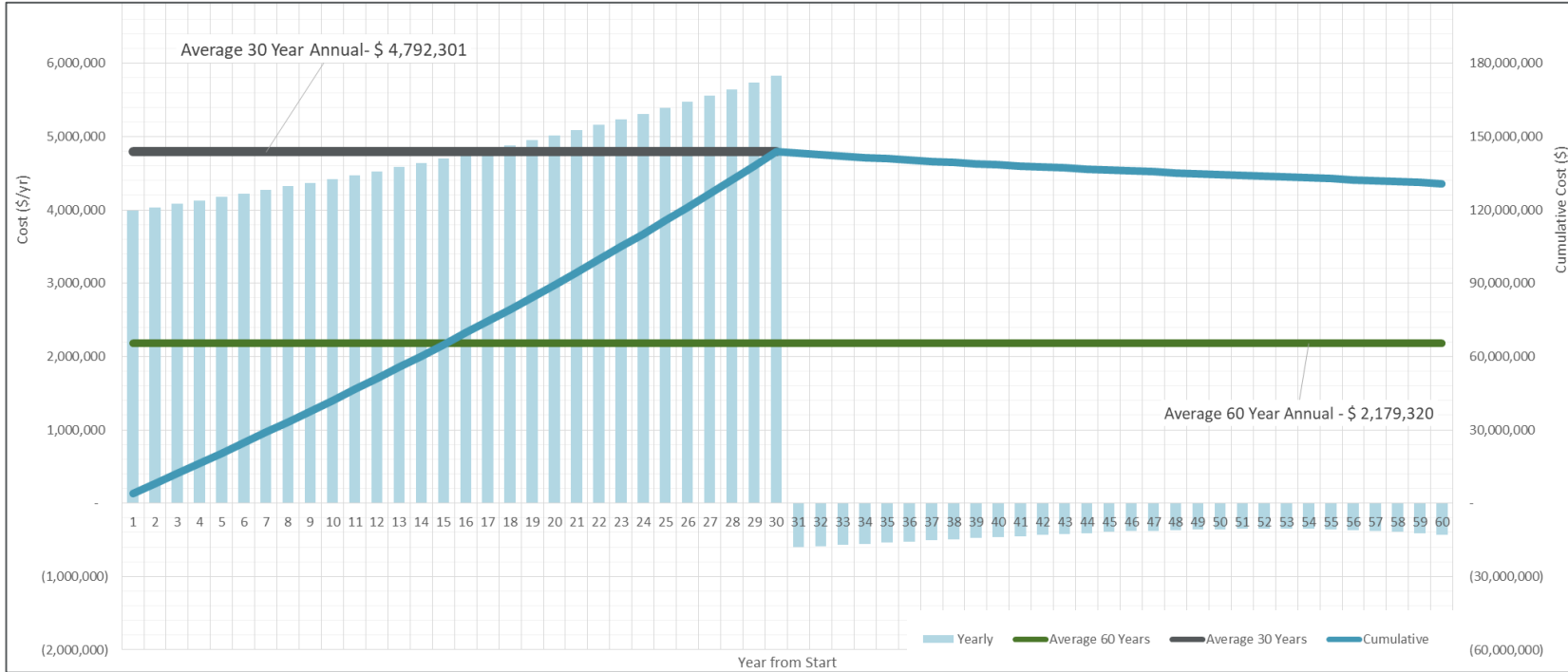
# Anne Arundel County Costs



## Example 1:

\$6,400 Up Front Onsite Costs	40% Deferment
\$70/month assessment (not including sewer charge)	\$14,000 Incentive (financed)
	\$16,800 lump sum at end of bond period

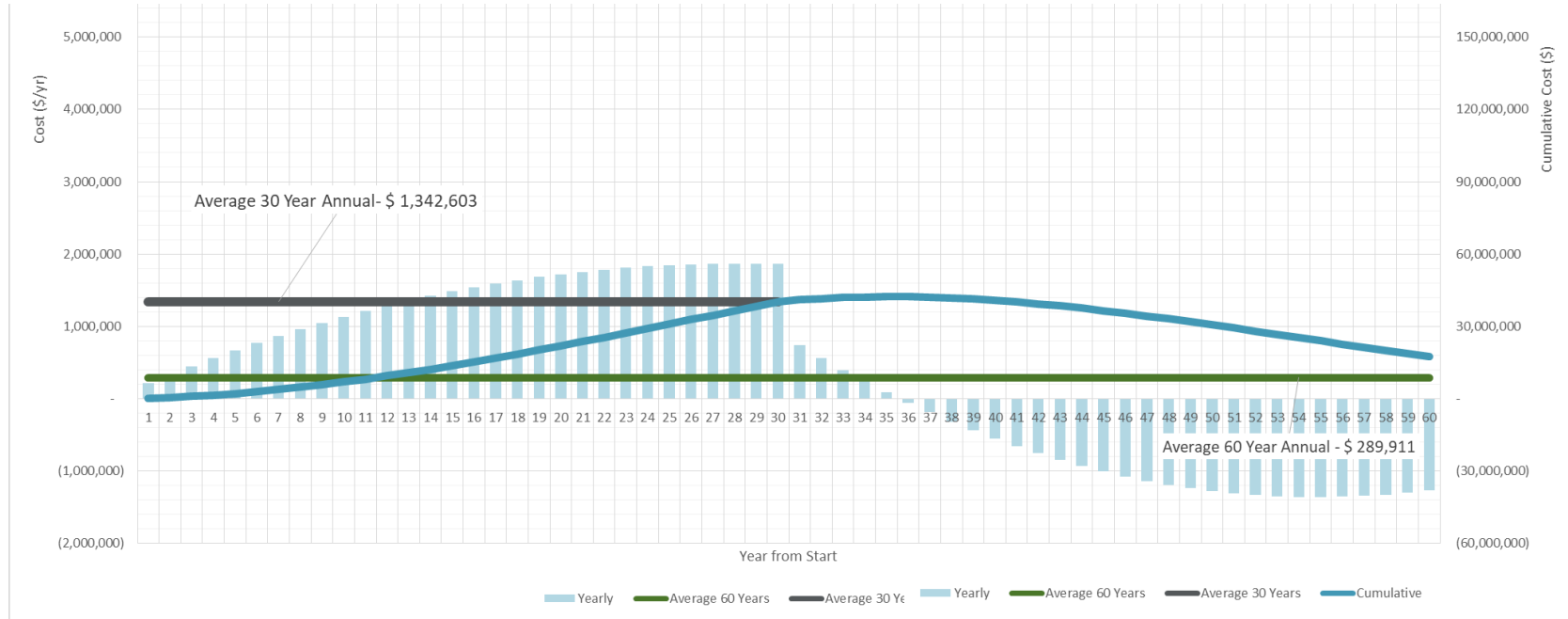
# Anne Arundel County Costs



## Example 2:

\$0 Up Front Onsite Costs    25% Deferment  
 \$90/month assessment    \$19,600 Incentive (Paygo)  
 \$10,800 lump sum at end of bond period

# Anne Arundel County Costs

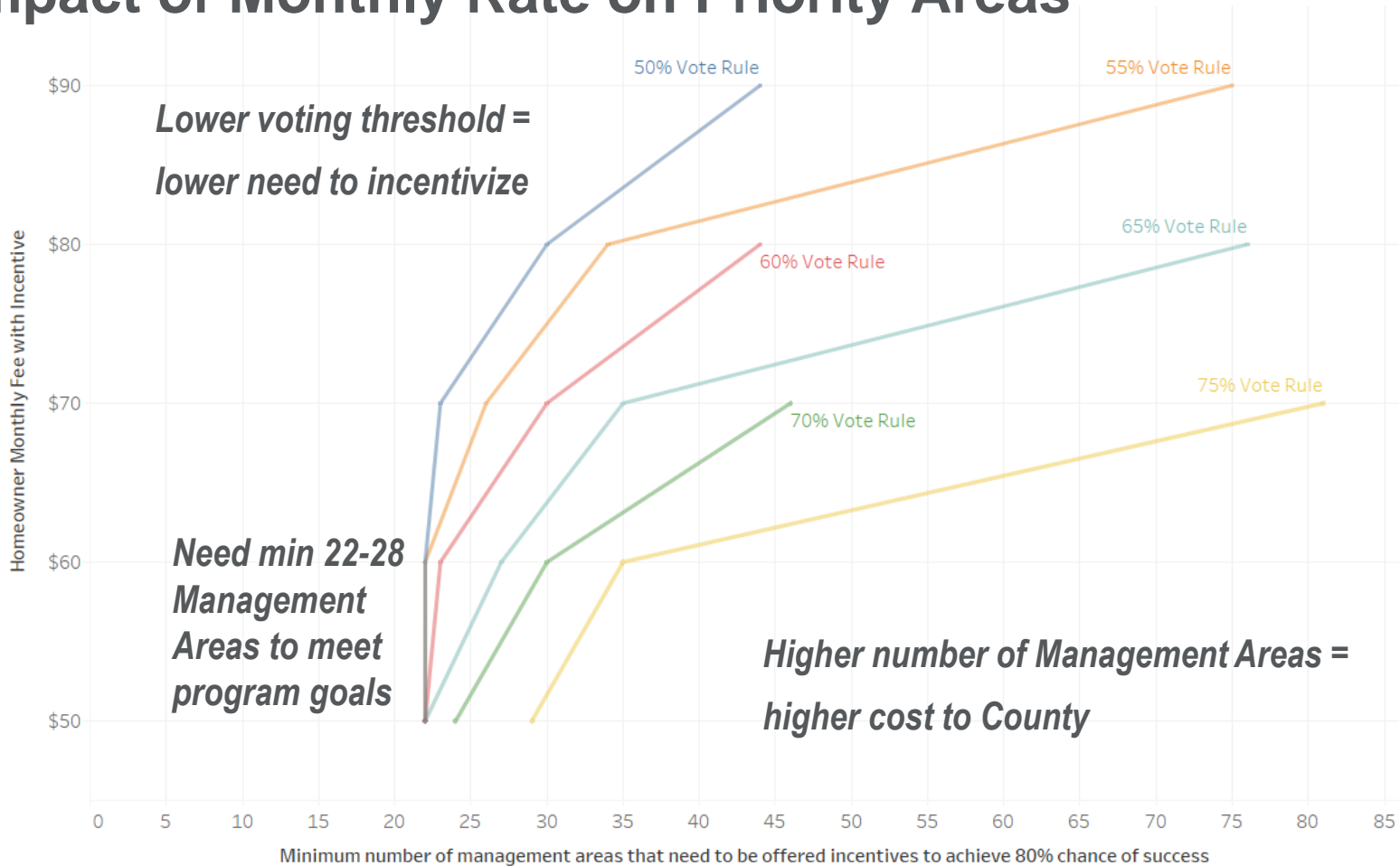


## Example 3:

\$6,400 Up Front Onsite Costs	50% Deferment
\$88/month assessment (not including sewer charge)	\$0 Incentive
	\$31,700 lump sum at end of bond period

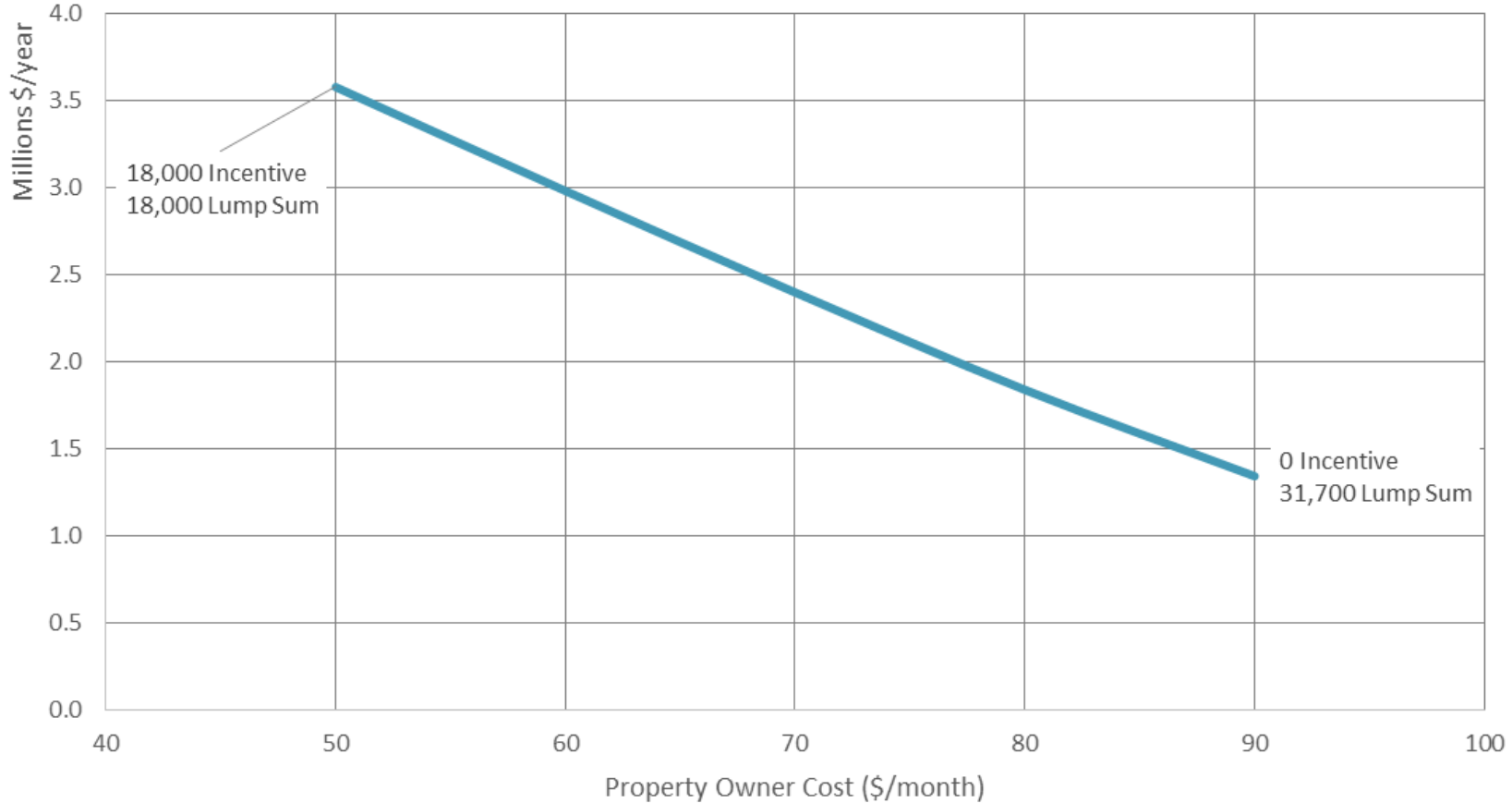


# Impact of Monthly Rate on Priority Areas



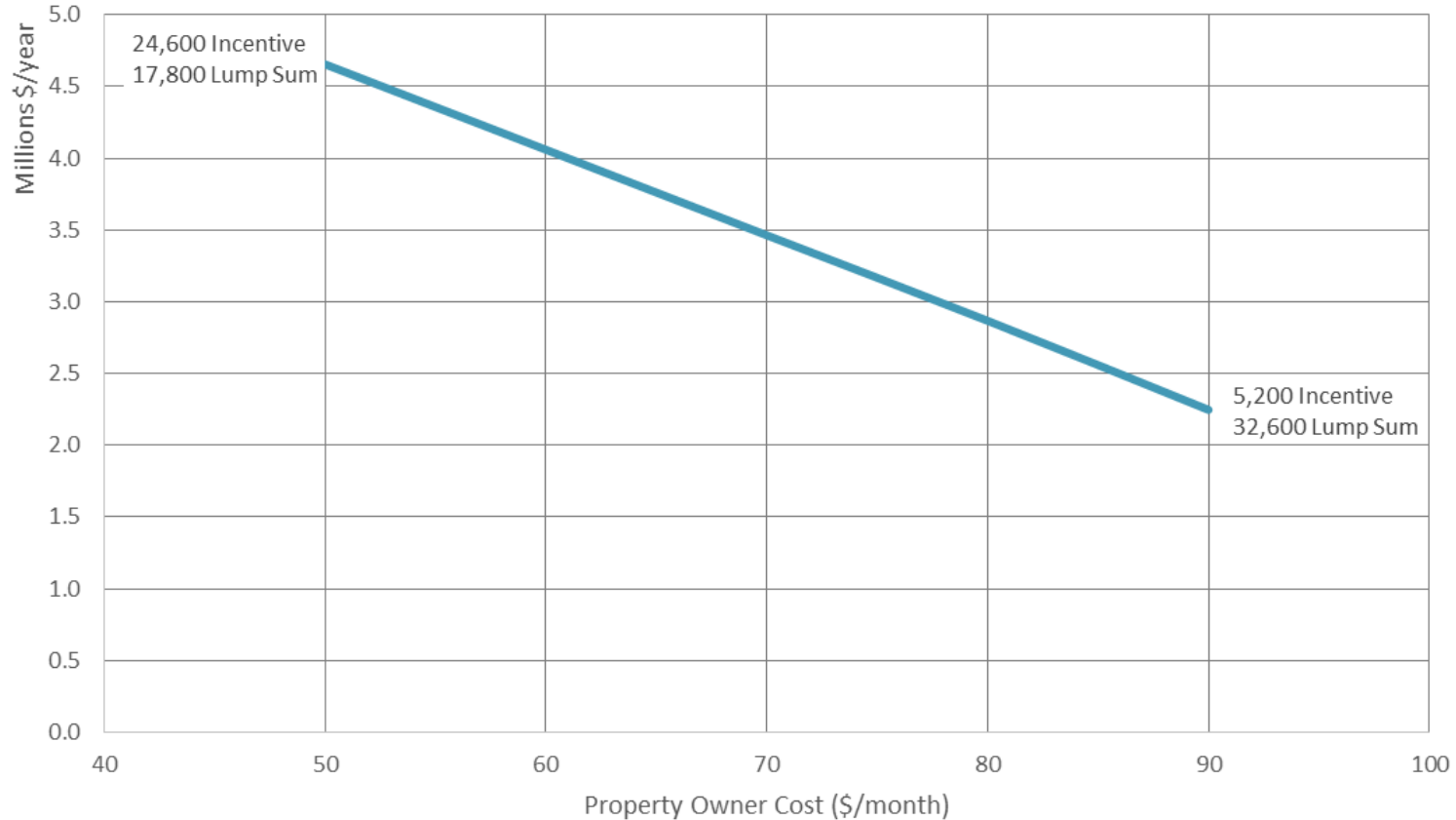
# County 30 Year Average Cost (\$/Year)

*Property Owner Covers Initial LS Costs, 50% Deferment*



# County 30 Year Average Cost (\$/Year)

*State Covers Initial LS Costs, 50% Deferment*



# Incentive / Deferment Modeling Summary

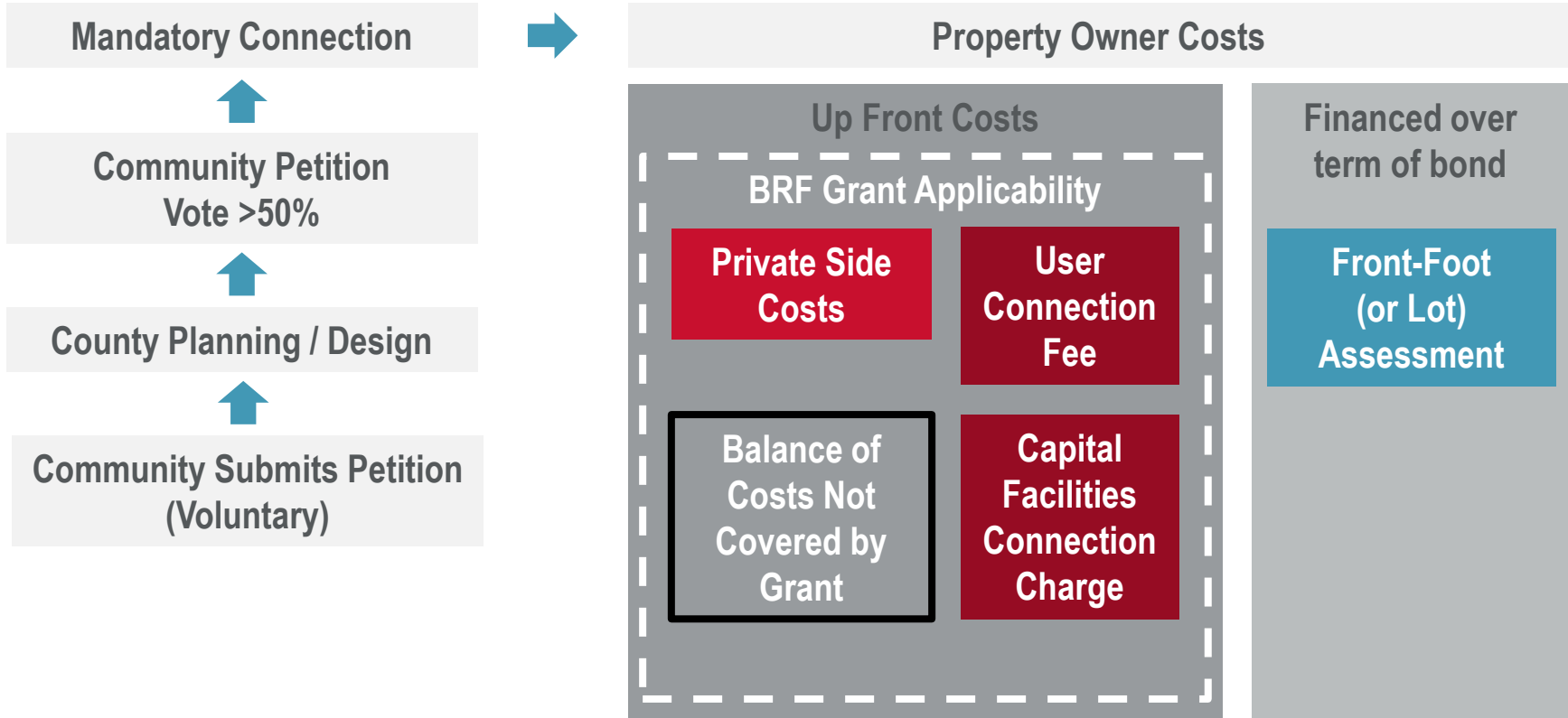
- ❑ **Estimated \$3.5M - \$5M per year average County cost first 30 years**
  
- ❑ **PayGo incentive funding**
  - Program funding more closely aligned with timing of costs
  - Requires early funding commitment (increased user rates or tax revenue)
  - Reduced overall cost compared to financing
  
- ❑ **Financed incentive funding**
  - Program costs extend through allowable payback period of deferments
  - Allows for phased rate/tax increases



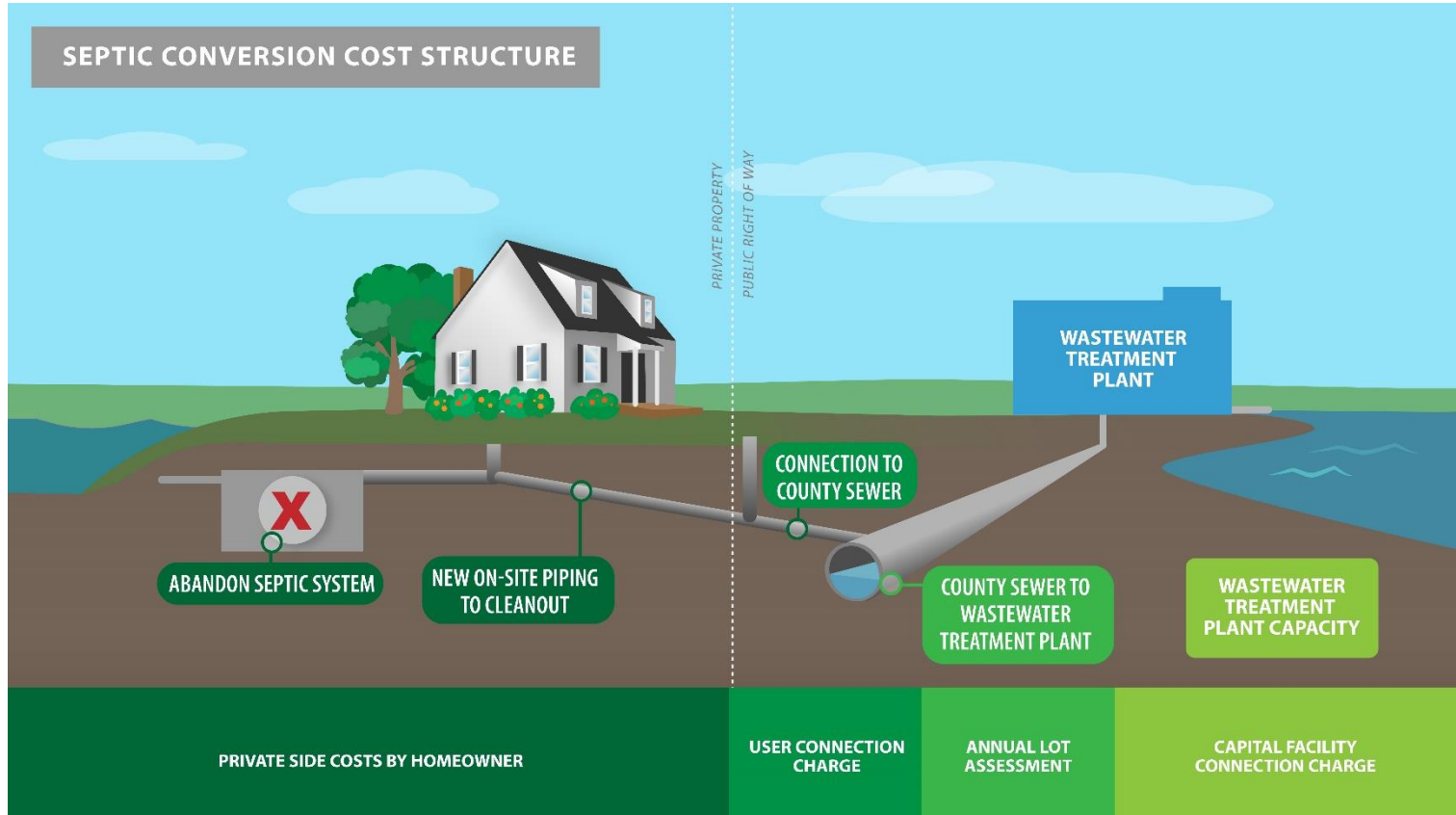
**05**

**Draft OSDS Conversion  
Policy Framework**

# Existing OSDS Petition Process



# Sewer Connection Cost Variables



# Policy Framework Discussion

- ❑ **Use of management area prioritization**
  - Determines connection availability?
  - First come, first serve?
- ❑ **Eligibility criteria for deferments**
- ❑ **Up front incentives by BRF?**
- ❑ **Yes vote %**
- ❑ **How to handle properties with BATs? Outlier properties?**
- ❑ **Process for self-initiated petition communities**
- ❑ **Selection of private side contractors**
- ❑ **Use of sunset provisions**
- ❑ **Septic fee for new development with septic**
- ❑ **Commercial properties**





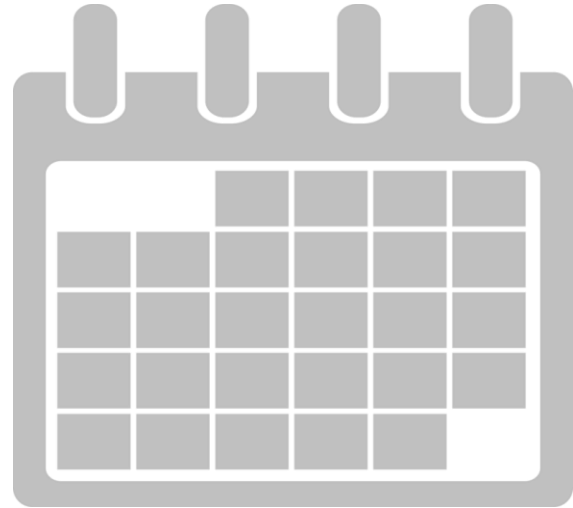
# 06 Decisions & Next Steps

# Decisions

- Text

# Task Force Schedule

- ❑ **Policy Working Group – September 5, 2019**
  
- ❑ **Fiscal Working Group – TBD**
  
- ❑ **Meeting No. 3 – September 19, 2019**
  - Proposed funding strategy
  - Proposed incentive criteria
  
- ❑ **Meeting No. 4 – October 15, 2019**
  - Proposed administrative process for OSDS conversions
  - Project identification and implementation schedule



# Next Steps

- ❑ **Collect surveys (OSDS Program Team)**
- ❑ **Prepare for Task Force Meeting No. 3**
  - Fiscal group – Identify alternative funding sources
  - Policy Group – New OSDS Conversion Process

**Thank You!**

## Appendix D

### Policy Working Group Meeting No. 1



# Meeting Minutes

Project: Anne Arundel County OSDS Conversion

Subject: Policy Working Group (PWG) Meeting No. 1 September 5, 2019 Minutes

Date: Tuesday, September 24, 2019

Location: 2662 Riva Road / Ron Bowen Conference Room

Attendees: See Attached Sign In sheet

The following is a summary of the discussions at the meeting, general conclusions reached and resultant **Action Items, shown in bold below.**

1. The meeting was started introductions of the attendees, review of the meeting agenda as well as a review of the results of the prior Task Force Meetings (TFM 1 and 2) and the one Fiscal Working Group (FWG) Meetings.

**Action Item: A copy of the presentation used to Guide the meeting was requested. It will be forwarded to the County for their use.**

2. The overall objectives of Policy Working Group (PWG) were discussed. In concert with the Fiscal Working Group as well as the Task Force, the goal is to develop and propose preliminary legislation by the late Fall for use by the County Council and County Executive.

**Action Item: None**

3. George Heiner asked a fundamental question which he believes the Policy Group should work to answer - "What is the definition of a successful program moving forward?" This will help future County administrations and engineering groups assess and make decisions on continuation and/or adjustments to the program. A review of the "Key Tenets" previously laid out were reviewed to aid in this discussion. The public relations campaign will include these "key tenets" as well as benchmarks for a successful program.

**Action Item: Policy Working Group work on the "Definition of a successful program/benchmarks" to be brought forward to the Task Force for incorporation into the preliminary legislation as needed. The PWG will also help select and combine "key program tenets" to be used in the PR campaign and in measuring success.**

4. The third Task Force Meeting is scheduled for September 19<sup>th</sup>. The Task Force will be updated regarding the discussions and decisions reached at that meeting and work to be done yet by the PWG.



**Action Item: Prepare materials/Agenda for TF 3 meeting. Pre-meeting is scheduled for September 12, 2019. Incorporate PWG No. 1 Meeting results/path forward.**

5. The survey to inform the willingness to pay question as well as other key issues is on-going. The results are not expected to be returned, compiled and analyzed until after the scheduled September 19, 2019 TF 3 meet.

**Action Item: HDR to update, to the extent possible, the early returns on the survey at the September 19, 2019 TF 3 meet.**

6. Pending budget decisions were discussed. Also, some of the key decisions made out of the FWG were discussed including the need for deferrals and the Voluntary/Mandatory program

**Action Item: The Voluntary/Mandatory nature of this program shall be the cornerstone of the policy and fiscal approach.**

7. One of the “Key Tenets” discussed was “One Homeowner Cost” approach. There was some confusion over the intent/definition of “One Homeowner Cost.”. It is not intended to apply that all homeowners pay “one “cost. These costs will vary with the management area and specific requirements for hose connections. The intent of “One Homeowner Cost” is that it be constructed so as to have a “simple” to understand “one cost.” not a cost that is composed of multiple, difficult to understand fees.

**Action Item: Policy and Fiscal Group to work on the “one cost” concept to the homeowner that is inclusive off all relevant fees and costs. A pitfall of the existing petition project is its complexity and difficulty in understanding the existing fees, their amount and inequity/different costs depending on property configuration for the same benefit of a sewer connection. *Note that this concept was reviewed at the TF Meet 3 pre meet on September 12 and it was preliminarily decided to “wrap” this into Costs fair and understandable/simple – tenet – in an effort to reduce the number of tenets. This approach should be confirmed with the TF.***

8. The three connection sequence policy alternatives to be considered by the PWG were presented and discussed: A. Deferment for Onsite Wastewater Management Problem Areas (OSWMPAs) Utilizing the Existing Petition Process, B. Pilot Program for Targeted Management Areas and C. Open Application Process. Each is briefly described below.

A. OSWMPA Deferment

- OSWMPA in service area and outside service area
- Existing petition process
- Utilize existing deferment code but add section for problem areas.

B. Pilot Program for Targeted Management Areas

- Combination of deferments and incentives
- One cost per area





- Target top 5 management areas based on previous prioritization
- Pilot program only – not offered to any others

C. Open Application Process

- Combination of deferments and incentives Open based on location but give County ability to outreach to specific areas
- Structure – similar to MDE grant and loan process – community initiated application with County ranking
- Ranking criteria can be published for transparency

**Action Item: Come to consensus on which connection policy to implement at the next PWG meeting and ultimately Task Force.**

9. There was a discussion about whether incentives should be adjusted based on income. Options include reduced incentive for high income, or increased incentive for lower income. No decision was made regarding this approach. However there was not an interest in broad means testing.

**Action Item: Come to consensus at the next PWG meeting and ultimately Task Force.**

10. There was a general discussion on some of the problems with the existing petition process and how it may/or may not relate to any new policy associated with the OSDS program.

**Action Item: It was decided that a “new process” will be developed for the OSDS conversion program, as described in 7 above. The County will most likely initially develop policy for Option A, OSWMPA deferment and subsequently look to implement a new policy for Option C, Open Application Process.**

11. There was a discussion on the use of General Funds vs. Utility Funds for this program. Currently the Utility fund can support or supplement the General fund, but not vice versa. If the OSDS program is programmed in the General Fund CIP, it can be paid for with both General and Utility funds. Ear-marked General Funds may be less certain (more prone to being used for other projects as needs arise. This needs to be considered in this discussion as well as the justification for this being a General Fund program, i.e. County TMDL Compliance

**Action Item: None**

12. Councilwoman Haire indicated that she would be bringing preliminary draft legislation to the next PWG meeting. She requested mapping showing the OSWMPA and management Areas defined by the County and their overlap.

**Action Item: HDR to forward copy of presentation as well as mapping requested. The next PWG meet date and time is September 24, 2019.**



13. 30 vs. 40 year bond terms were discussed – current charter limits 30-year bond. A charter amendment would be required to extend to 40-year bonds.

**Action Item: County council to investigate feasibility of 40 year bonds. It was noted that the bond term must be consistent with the repayment terms. DPW will present difference in cost for 30 and 40-year bonds.**

14. There was general agreement that legislation may need to be developed in stages/phases.

**Action Item: Councilwoman Haire will be initiating the legislative phases.**

15. There was an “Off-ramp “discussion regarding process/procedure/policy if projects were to come in over budget. This will need to be addressed with policy and legislation.

**Action Item: Come to consensus at the next PWG meeting and ultimately Task Force.**

PWG Meeting No. 2 is scheduled for September 24, 2019 at 4:00 pm in the Ron Bowen Conference Room. This will be after TF Meeting No. 3.

9/5/19 - 4:00

AA County  
Policy Working Group No. 1

Sign Id

<u>Name</u>	<u>Affiliation</u>	<u># / e-mail</u>
Joe Sowinski	HDR	301-323-3844 / joseph.sowinski@ hdri.com
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Cindy Carr	OPZ	pzcarr20@aacounty.org
BRUCE WRIGHT	DPW	bwright@aacounty.org
Karen Henry	DPW	Khenry@aacounty.org

*Advancing **environmental**  
stewardship in Anne Arundel County*

**OSDS Strategic Planning**  
Task Force Policy Working  
Group Meeting



September 5, 2019



# Septic Task Force Members

## Community Representatives

Jim Doyle	Edgewater Beach Community
Jeff Holland	West/Rhode Riverkeeper
Jesse Iliff	Arundel Rivers Federation
Sally Hornor	AA Community College/Severn River
Lloyd Lewis	Mayo Community
Jerry Pesterfield	Heritage Harbor
Eric Devito	Stone Matteis Xenopoulos & Brew, PC
Eliot Powell	Whitehall Development
Ben Wechsler	Linowes and Blocher LLP
Karen McJunkin	Elm Street Development

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Karen Henry	Department of Public Works – Assistant Director
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Erik Michelsen	Department of Public Works – Watershed Protection and Restoration
Cindy Carrier	Office of Planning and Zoning – Long Range Planning Division
Chris Murphy	Department of Public Works - Engineering
Chris Phipps	Department of Public Works - Director

**01 Working Group  
Objectives & Schedule**

**02 Key Tenets**

**03 Process for Prioritizing  
Connections**

**04 Confirm Prioritization  
Criteria**

**05 Special Cases**

**06 Existing Petition Process**

**07 Decisions & Next Steps**



# 01 Working Group Objectives & Schedule



# Task Force – Policy Working Group Objectives

**Overall objective:** provide input for draft legislation

- ❑ Confirm prioritization criteria
- ❑ Identify/frame policy issues
- ❑ Develop new policy

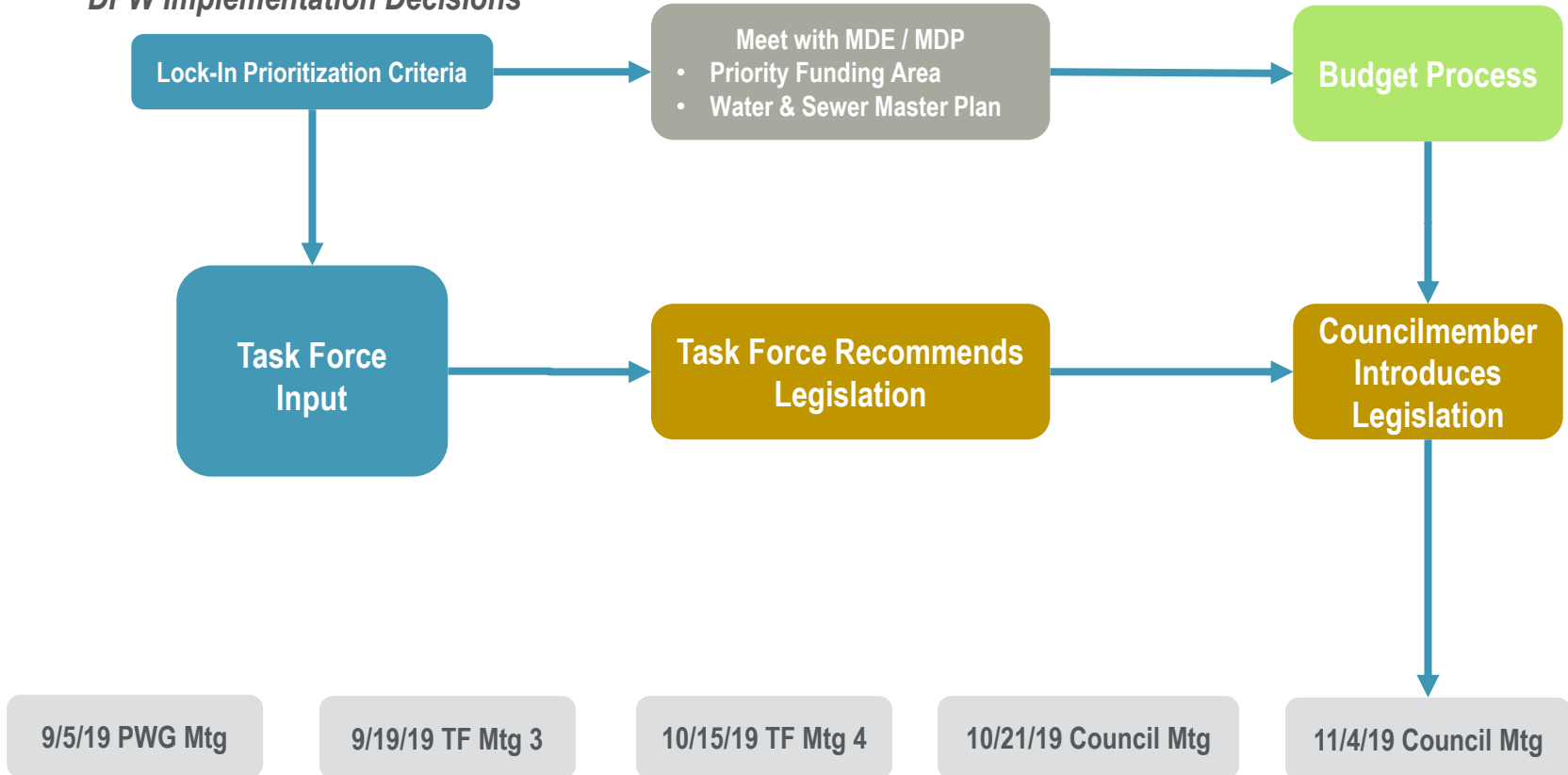
# Task Force Schedule

- ❑ **Meeting No. 1 – July 22, 2019**
  - Prioritization of program areas
  - Re-convene Working Groups as necessary (and available)
- ❑ **Meeting No. 2 – August 22, 2019**
  - Incentive / subsidy alternatives
  - DPW draft policy framework
- ❑ **Meeting No. 3 – September 19, 2019**
  - Update from Policy Working Group
  - Discuss draft policy
- ❑ **Meeting No. 4 – October 15, 2019**
  - Review survey results
  - Legal considerations

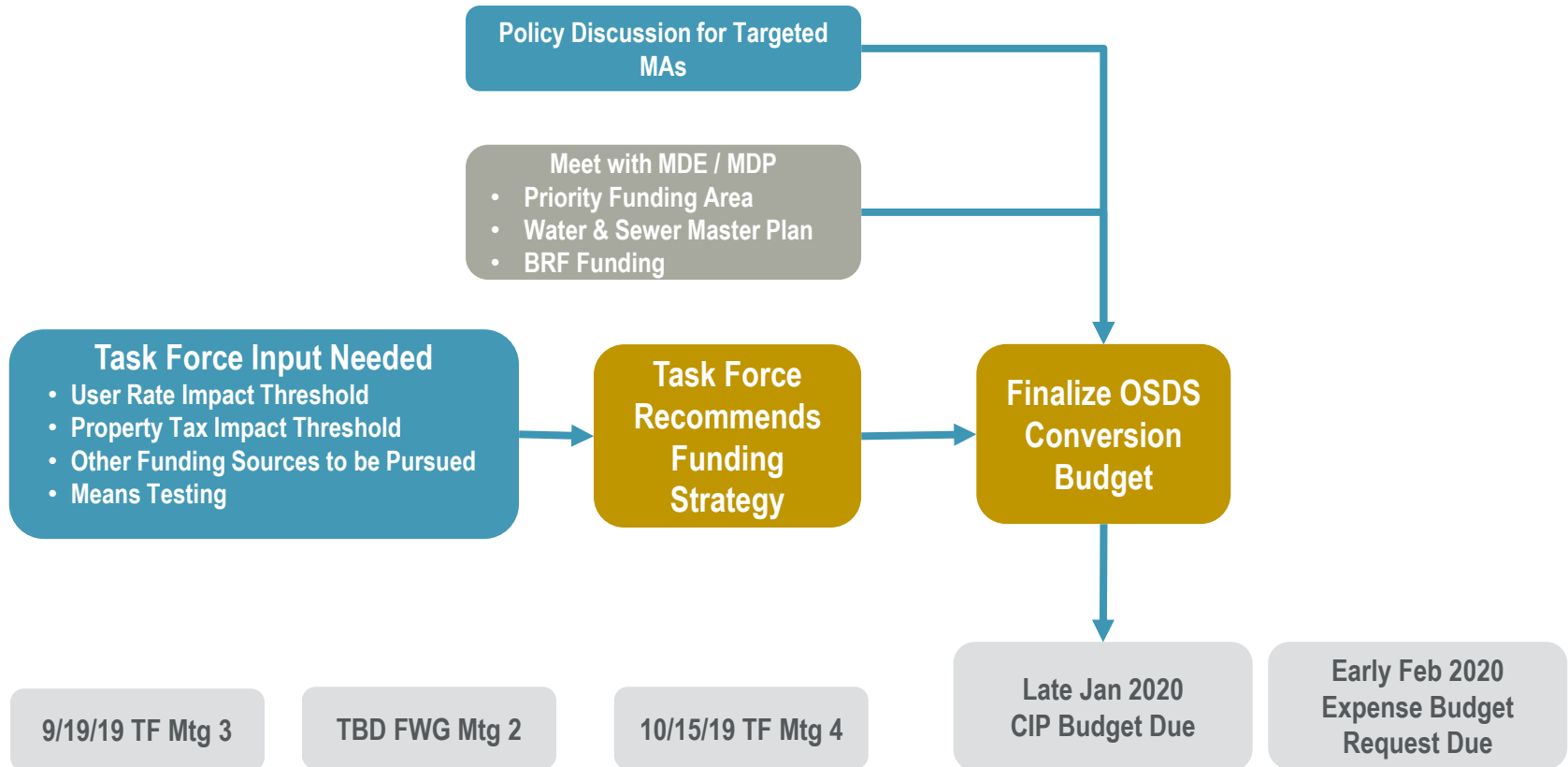


# Policy Decision Schedule

## *DPW Implementation Decisions*



# Budget Decision Schedule





# 02 Key Tenets

# Key Tenets

- ❑ Helpful to establish key tenets of the septic conversion program
  - Anchors policy decision making
  - Use to guide outreach efforts
  - Limit to 5 or 6 tenets for effective communication
- ❑ Proposed tenets from Previous Meetings
  - Flexible and adaptable
  - Policy fair and understandable
  - Affordable program/financially stable
  - Public health, water quality and TMDL drivers
  - Sea level rise and resiliency
  - Plan for smart infrastructure
  - Not a “growth program”
  - Connection process needs to be separate from existing petition process
  - County-directed voluntary program with mandatory connection once community votes
  - Preserve community ability to initiate OSDS conversion
  - One homeowner cost



# 03 Process for Prioritizing Connections

# Deferment Only Using Existing Petition Process

## Mechanics

- 50% Deferment
- 30-40 Year Term or property transfer
- OSWMPAs Only within Service Area
- Other than deferment, follows existing petition process
- Property owner monthly cost - \$75-100/month
- Property owner lump sum - \$30 K - \$35 K

## Advantages

- Simple code change
- Zero net cost to County over long term
- Targets onsite wastewater management problem areas

## Disadvantages

- Limited to 3,500 septic systems
- Unlikely to get high participation
- Does not meet nutrient targets
- Subject to same nuances in existing petition process – unknown costs until engineering, BRF funding issues, etc.

# Targeted “Pilot” to Top 5 MAs

## Mechanics

- Develop deferment and incentives for top 5 management areas
- Could be independent of deferment only implementation
- Fixed monthly cost
- County to outreach to five targeted areas

## Advantages

- Targets top 5 management areas - independent of evaluation criteria
- Sunsets automatically as a pilot program.
- All health department problem areas in the Critical Area

## Disadvantages

- Complex policy
- Need to develop prioritization criteria at later date
- Opens up to potential fairness questions for areas outside Top 5

# Open Policy with Ranking

## Mechanics

- Develop deferment and incentives for “priority” areas
- Fixed monthly cost
- Develop application process with strict location criteria for who can apply
- County ranks applications based on identified criteria (similar to State) and approves top ranked areas
- County to outreach top prioritized areas

## Advantages

- County not ranking until after applications received
- No County differentiator between Large CIP and Small CIP
- Open and transparent process
- County controls pace (not open vote)

## Disadvantages

- Scored evaluation of applications
- Significant policy changes



# Deferment Only Using Existing Petition Process

## ❑ Considerations

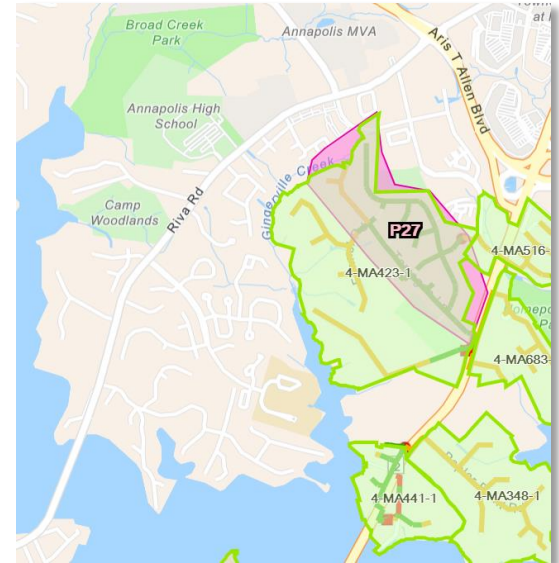
- How to define areas for petition process
- Is OSWMPA sole criteria that makes someone eligible?
- What about homes in same MA but not OSWMPA?
  - Percent approval?

## ❑ State BRF funding applied to up front costs (same as current program)

- Used for private side costs, connection fees
- Typical homeowner fully covered
- Some homeowners responsible for up to \$20,000 pending high income and/or difficult site

## Mechanics

- 50% Deferment
- 30-40 Year Term
- OSWMPAs Only within Service Area
- Other than deferment, follows existing petition process
- Property owner monthly cost - \$75-100/month
- Property owner lump sum - \$30 K - \$35 K

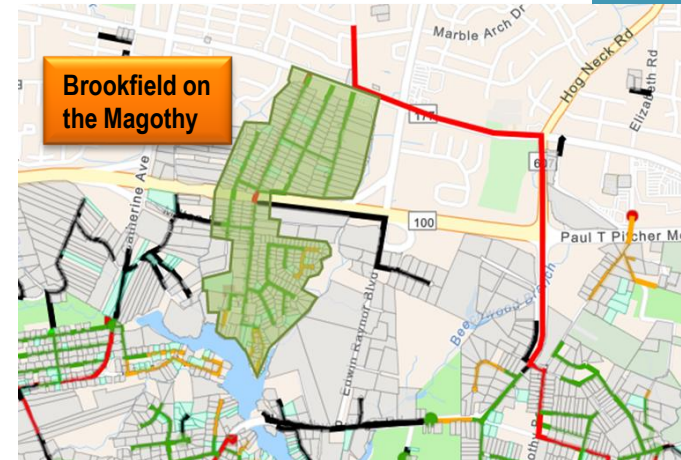
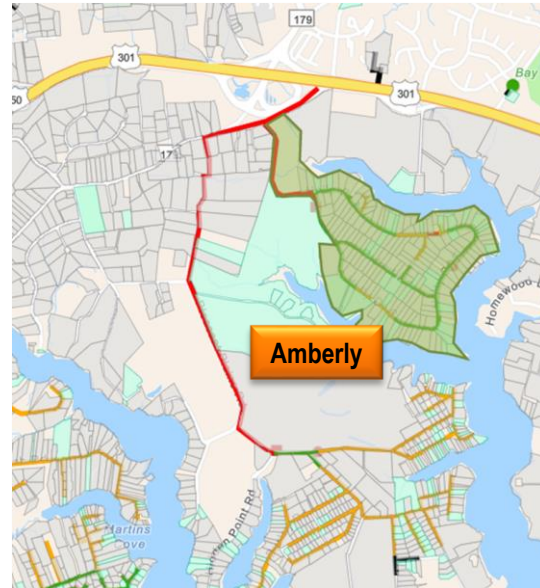
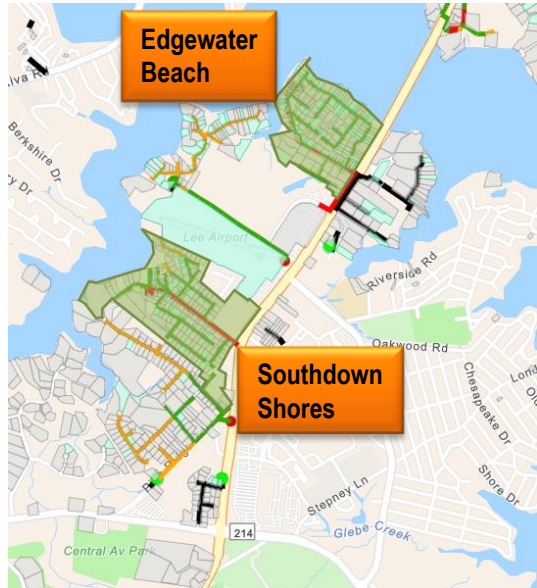


# Targeted “Pilot” to Top 5 Management Areas

## Mechanics

- Develop deferment and incentives for top 5 management areas
- Could be independent of deferment only implementation
- Fixed monthly cost
- County to outreach to five targeted areas

MA	Conversions	OSWMPA	CA
Edgewater	157	157	145
Southdown	155	155	95
Amberly	180	180	180
Shore Acres	152	109	127
Brookfield	323	123	77



# Targeted “Pilot” to Top 5 Management Areas

## *Vacant, Non-Residential, and Property Size*

MA	Conversions	OSWMPA	CA	Vacant	% Vacant	Non-Residen.	% Non-Residen.	Avg. Property Size (acre)
Edgewater	157	157	145	24	13.3%	1	0.5%	0.65
Southdown	155	155	95	16	9.4%	10	5.8%	0.51
Amberly	180	180	180	6	3.2%	3	1.6%	1.03
Shore Acres	152	109	127	19	11.1%	1	0.5%	0.85
Brookfield	323	123	77	31	8.8%	9	2.5%	0.48
<b>All Large CIP in SA</b>	<b>14,907</b>	<b>3,510</b>	<b>6,230</b>	<b>2,320</b>	<b>13.5%</b>	<b>585</b>	<b>3.4%</b>	<b>0.71</b>

# Open Policy with Ranking

- ❑ **County define areas?**
  - How to incorporate small CIP
- ❑ **Define specific criteria on who can apply**
  - OSWMPA
  - Critical Area
  - Distance from infrastructure
- ❑ **Scored application process**
  - Costs
  - Nutrient benefits
  - Health benefits
- ❑ **Off-ramp**
  - County maintains off-ramp if costs significantly higher than planned
  - Re-evaluate year to year

## Mechanics

- Develop deferment and subsidies for “priority” areas
- Fixed monthly cost
- Develop application process with strict location criteria for who can apply
- County ranks applications based on identified criteria (similar to State) and approves top ranked areas
- County to outreach top prioritized areas

# General Policy Issues to Address

- ❑ **Deferments**
  - 50%
  - 30 Years
- ❑ **BRF Funding Availability**
- ❑ **Maryland Department of Planning Approval (outside of Priority Funding Area)**
- ❑ **% Vote approval**
  - 50%+
  - 67%
- ❑ **Cost overruns**
- ❑ **Financial means testing**
- ❑ **Front-foot vs. per lot assessment**
- ❑ **User connection charge vs. “one cost”**



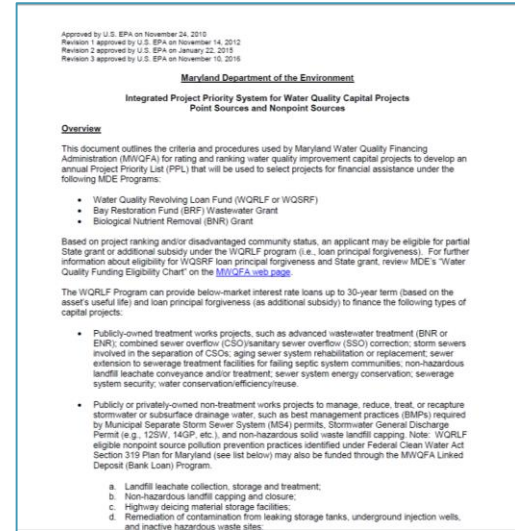
# 04 Confirm Prioritization Criteria

# Prioritization Criteria – Draft Code Language

- **The Department of Public Works will prioritize program implementation through a set of weighted criteria. Communities that meet a certain threshold criteria ranking in a given program cycle may be eligible to receive financial incentives from the County, in addition to funding from other grant programs. Prioritization criteria will be include:**
  - Cost to connect a community relative to the potential to reduce the discharge of Total Nitrogen to surface waters, and
  - Proximity to existing County sewer infrastructure that will convey sewage flow to wastewater treatment facilities, and
  - Location with respect to Onsite Wastewater Management Problem Areas as defined by the County's Department of Health, and
  - Location with respect to Critical Areas as defined by the State of Maryland's Department of Natural Resources

# Prioritization Criteria – Draft Code Language

- ❑ **Example: MDE Integrated Project Priority System for Water Quality Capital Projects Point Sources and Nonpoint Sources**
  - Applied to BRF Wastewater Grant (not Septic Grant)
  - Based on project ranking and/or disadvantaged community status
  - Defines specific procedures for selection – Example:
    - “Twenty-five (25) points will be awarded to projects resulting in a “high” TN reduction (greater than 2,000 lbs/year) . . .”
- ❑ **Recommend describing OSDS prioritization criteria in County Code, but not specific procedures for selection**
  - Including criteria strengthens code
  - Specific procedures left to DPW – need flexibility for adaptive management





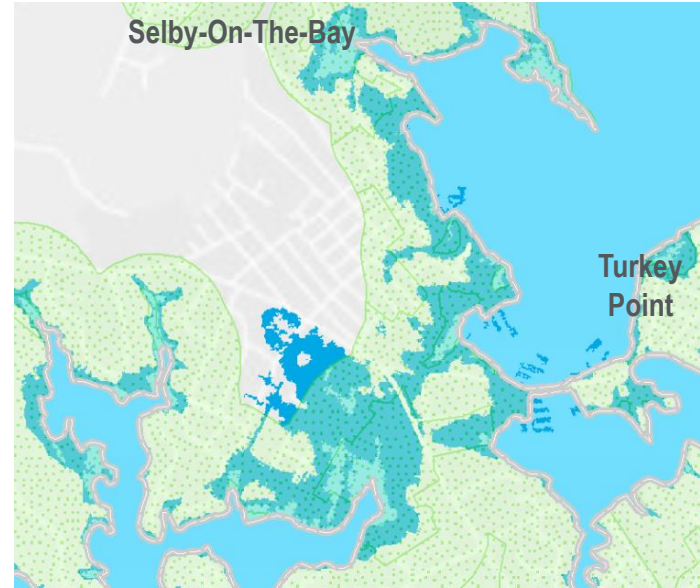
# Prioritization of Management Areas

## □ Cost vs. Proximity




- Cost represents up front cost to connect
  - Could be lower on \$/lb reduction basis depending on community location and layout
- Proximity factors in lifecycle cost to maintain
  - Longer force main to connect = higher maintenance cost
- Top 5 MAs for Cost (lowest \$/lb TN reduction) also have best Proximity
  - Top 21 of 25 MAs also share lowest Cost and Proximity
  - Removing Proximity would introduce 3 MAs requiring >1 mile new force main
- Recommendation
  - No change
  - Proximity is a check on unreasonable lifecycle cost

# Prioritization of Management Areas

- ❑ Should sea level rise be a factor?
- ❑ Maryland Commission on Climate Change
  - 2080 sea level rise likely range = 1.6 - 3.1 ft
  - Mapping produced for 0'-2' and 2'-5' inundation
- ❑ Impact on septic areas
  - ~ 6,000 properties intersect 2'-5' inundation area
  - ~ 14,000 properties intersect Critical Area
  - Impact limited to waterfront parcels – not significant portion of any management area
  - Recommend treat as Special Case for additional incentive (outside of prioritization criteria)



## Legend

-  Critical Area
-  0 to 2 Foot Inundation
-  2 to 5 Foot Inundation



# 05 Special Cases

# Special Cases

## ❑ **BATs**

- County accepts additional cost if BRF funding not available for properties with BAT?

## ❑ **Commercial properties**

- Ratio to residential cost?

## ❑ **Vacant Lots**

- Sub-dividable lots and future upzoning
- Adjacent lots with same property owner?
- Assessment 100% deferred until time of connection?

## ❑ **New impact development fee for building with septic systems**

## ❑ **One vs. Two Grinders per Property**



# 06 Existing Petition Process

# Existing Petition Process – Any Changes?

- ❑ Simplify wording
- ❑ Ability for County to work with property owners to define areas
- ❑ Per property vs. front foot
- ❑ Voting %
- ❑ User Connection charge clarifications and fairness
- ❑ Grinder locations
- ❑ Raise front foot max in code
- ❑ Private property estimates



**07**

**Decisions & Next Steps**

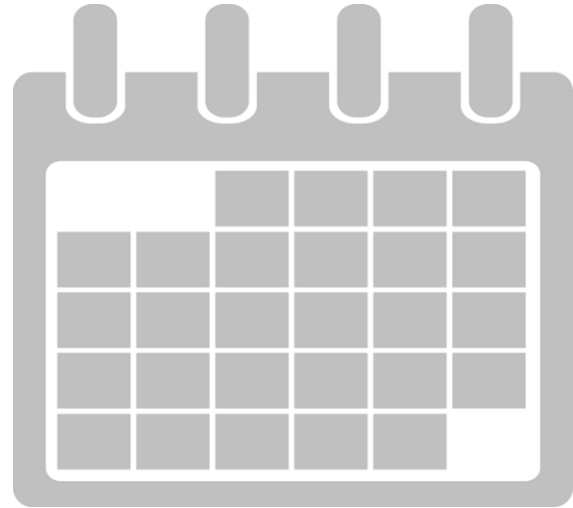
# Decisions

- Text



# Task Force Schedule

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  - Proposed incentive criteria
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  - Proposed administrative process for OSDS conversions
  - Project identification and implementation schedule



# Next Steps

- ❑ **Collect surveys (OSDS Program Team)**
- ❑ **Prepare for Task Force Meeting No. 3**
  - Fiscal group – Identify alternative funding sources
  - Policy Group – New OSDS Conversion Process

**Thank You!**

## Appendix E

### Task Force Meeting No. 3

# Meeting Minutes

Project:	OSDS Strategic Planning	
Subject:	Task Force Meeting No. 3	
Date:	Thursday, September 19, 2019	
Location:	2664 Riva Rd, Independence Conference Room	
Attendees:	<p>Community Representatives:            Jesse Iliff (South River Federation)            Lloyd Lewis (Mayo)            Sally Hornor (AA Community College/Severn River)</p>	<p>Anne Arundel County Representative:            Jessica Haire (County Council)            Matt Pipkin (County Council – Jessica Haire)            Matthew Johnston (Office of the County Executive)            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)</p> <p>OSDS Strategic Planning Team:            Jeff Eger (HDR)            Ed Shea (HDR)            Joe Sowinski (HDR)            Carita Parks (HDR)            Ziwei He (HDR)</p>

HDR facilitated the third Septic Task Force meeting on September 19, 2019. The objectives of this meeting are to update from policy working group and the last Task Force meeting, update on the survey status, discuss entry requirements to the program, and discuss ranking strategies and criteria. The following is a summary of key points:

1. HDR summarized Task Force Meeting No. 2 decisions, action items, and progress.
  - a. Sea level rise is now established as a stand-alone criteria, and will be weighed 11% in the prioritization matrix, along with Onsite Wastewater Management Problem Areas (OWMPA), and Critical Area. Proximity to sewer, cost/lb TN remain at 33%. 7 of the top 8 management areas (MAs) remain in the top 8.
  - b. It was found that 650 properties that are less than 1 acre directly front existing sewer, 190 of which are in the Critical Area or OWMPA. Additionally, 350 larger lots (>1 acre) directly front existing sewer.
  - c. No updates on cost models have been made – awaiting willingness to pay information from surveys.
2. Survey update: the surveys have been sent out in August. To date, 900 results were received, and a total of 1200 results are needed for analysis. Areas of interest were represented well in the results so far.
3. HDR updated the group on Policy Working Group Meeting No. 1.
  - a. Several tenets were proposed to gauge program success. The working group narrowed them down to four. The Task Force was asked for feedback on

additional tenets suitable for the program. Councilwoman Jessica Haire added quality of life improvements for the citizens because of cleaner water. Matthew Johnston added if the program gets carried out, it would be the first funded initiative of the County to address climate change resiliency.

- b. The Policy Working Group considered three conversion processes:
    - i. 50% Deferment to OWMPA only with existing petition process. Full repayment is required though initial property owner cost is reduced.
    - ii. Pilot full scale program in top 5 management area with incentive and deferment. The concerns are lack of openness, and that one of the 5 communities is a lot more affluent than the rest of the county.
    - iii. Open application process with location criteria with incentive and deferment.
  - c. The Policy Working Group favored the open application process, which allows for Department of Public Works (DPW) and County flexibility, and is open to all properties with public criteria. The existing petition process will remain and can include deferment for OWMPA. The existing process still applies to petitions for water service as well.
  - d. Councilwoman Jessica Haire recommended two levels of subsidies, one for people with lower income, and one for everyone else.
  - e. Sally Hornor asked if would be expensive for someone at the end of the row to connect without connecting neighbors that the pipes pass through. Brian Balchunas answered that in this case more public outreach is needed to encourage voluntary connections to make this area financially feasible to connect.
4. HDR presented the draft OSDS conversion policy framework.
- a. A flow chart was presented to show the procedure of how the application will be requested, submitted, ranked, and approved. The areas converted would be reviewed by DPW to assess its financial feasibility. If the cost is within certain percentage of budget (e.g. 5%), the county would absorb the additional costs and deliver project with the original promised budget. If not, the County needs to redesign the area, layout or conduct value engineering. If those methods still do not produce reasonable costs, the County would go back to the community.
    - i. George Heiner commented that it would be a problem if a portion of a community wants to connect, but DPW determines that more residents are needed to connect for it to be cost effective, but those portion of the residents decline and 50% vote cannot be achieved.
    - ii. Matthew Johnston asked how much time it would take for the whole process, Chris Phipps answered it would probably take 3 years until the time of bidding.
    - iii. Councilwoman Jessica Haire asked if it is possible to execute this process within the current petition framework. Chris Phipps answered that open application is a different process, and some features cannot be easily accommodated by the current petition process. One example is that DPW lacks the ability to modify the proposed project boundary.

- iv. Councilwoman Jessica Haire explained that it is easier to add a deferment in County code than to overhaul the existing petition process to the new process. She preferred a forked approach.
  - v. Chris Phipps said that a phased approach may be necessary – phase 1 is to add deferment in code, and develop new procedure in phase 2. Brian Balchunas added that phase 2 needs to be rolled out relatively quickly so that people more suited to the open application process do not spend more than they should applying under phase 1.
- b. HDR presented the costs and incentives for the top 5 MAs. Onsite costs are not included. Task Force members commented that the lump sums at the end of bond term are not insignificant.
- c. HDR presented a program outreach map. The idea is to publish the map online so that residents can search their address and quickly check their eligibility.
  - i. Sally Hornor commented that the effect of nitrogen on the waterway would not be instant and have to educate people that they are not going to see effects overnight. However, fecal contamination issues would be cut down quickly.
  - ii. George Heiner asked if the prioritization scores would be visible to the residents. Brian Balchunas answered it would not be visible, and the map would only show if a property falls in or out of the boundary.
  - iii. Councilwoman Jessica Haire stated that she prefers the area to be an encouragement for application instead of being a requirement. Other areas should also be permitted to enable County flexibility.
- d. The Task Force preferred 50% +1 vote during the application process.
- e. Vacant lot issues still need to be discussed. George Heiner stated that properties extensions can either be initiated by the petitioners or by DPW, and vacant lots fall in between. Karen Henry suggested to include a section in the code addressing vacant lots. Upzoning is not allowed.
- f. The Task Force discussed if County subsidy can be used for onsite costs, and Ed Peters from Health Department confirmed that County's Failed Sewage and Private Well Fund C501100 is an example where County funds can be used for onsite work. Other programs like the Pittsburgh example provided by Jeff Eger cannot use state funds for private property work.
- g. Matthew Johnston stated that it is not necessary to use sunset provision in the program. Future Councils will have the authority to rescind the program.
- h. Some procedural considerations were mentioned such as coordination with Maryland Department of Planning (MDP) to develop global policy on Priority Funding Area (PFA), the area determines if the properties are eligible for State Revolving Loan Fund. Coordination with MDE is necessary to ensure Bay Restoration Fund septic and wastewater grants can be used. Queen Anne's County South Kent Island agreement may be an example, but should not determine the contents of this program.

5. In the next policy working group meeting (9/24/2019), all relevant code will be presented on screen and edited in real time. DPW to provide all relevant code documents.



*Advancing environmental  
stewardship in Anne Arundel County*

**OSDS Strategic Planning**  
Task Force Meeting No. 3



September 19, 2019



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**01** Task Force Schedule & Meeting Objectives

**02** Follow Up from Meeting No. 2

**03** Survey Update

**04** Policy Working Group Update

**05** Draft OSDS Conversion Policy Framework

**06** Decisions & Next Steps

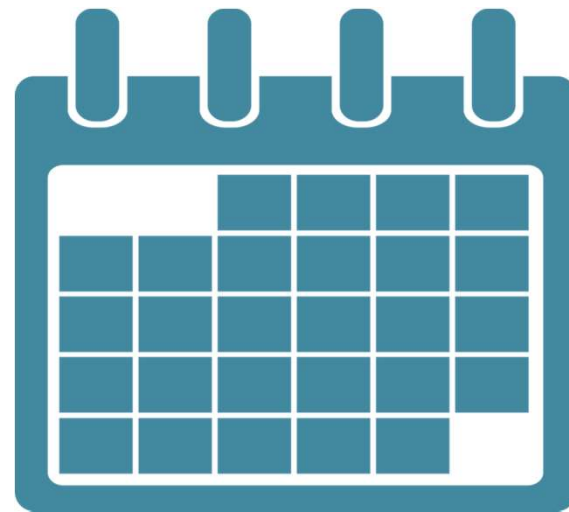


# 01

## Task Force Schedule & Meeting Objectives

# Task Force Schedule

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  - Proposed incentive criteria
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  - Proposed funding
  - Proposed administrative process
  - Project identification and implementation schedule



# Task Force Schedule – Working Groups

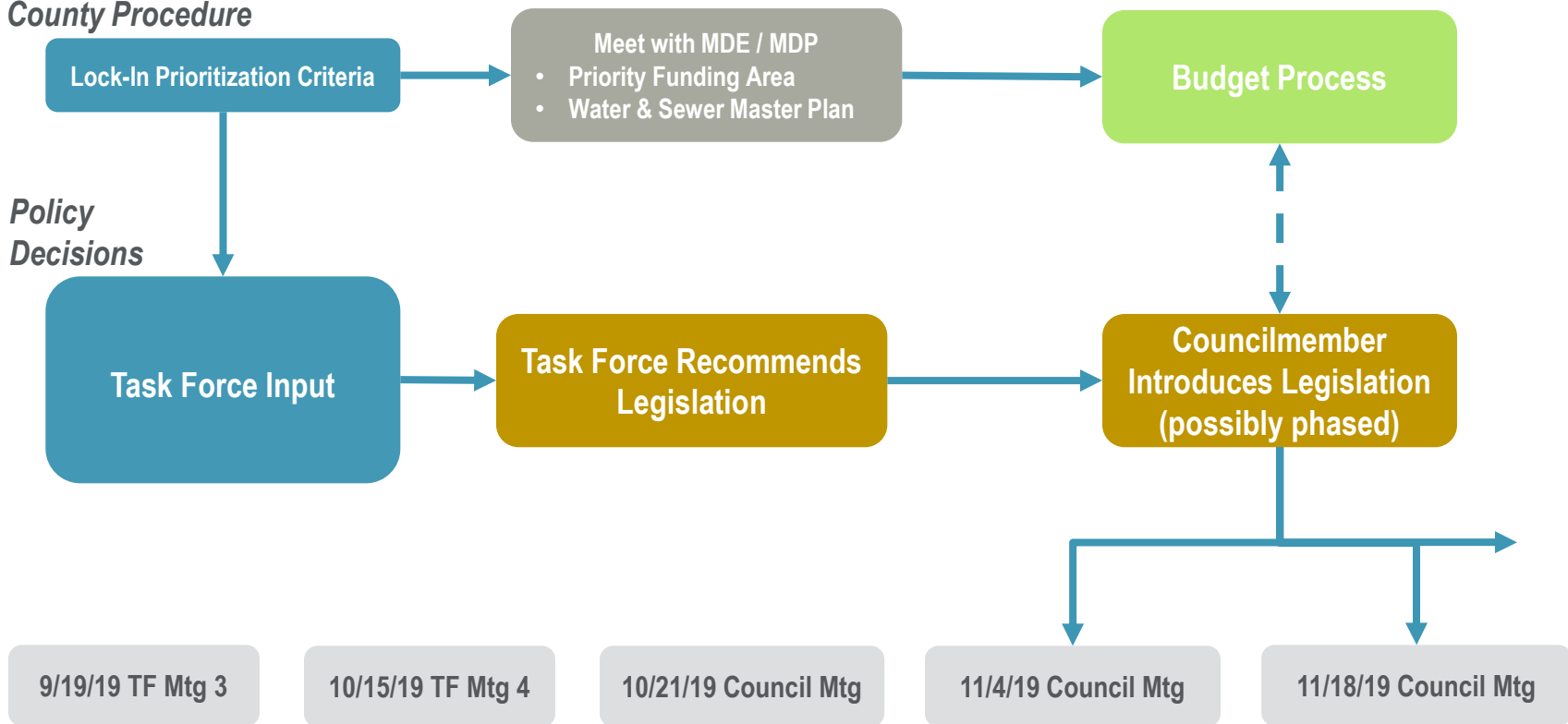
- **Land Use** [no further action unless determined in upcoming sessions]
  - Members of Land Use Working Group interested in other working groups?
  
- **Fiscal** [met August 6, follow-up October 8]
  - Incentive / subsidy alternatives
  - Funding alternatives
  
- **Policy** [met September 5, follow-up September 24]
  - Proposed incentive criteria
  - Proposed administrative process for OSDS conversions



# Policy Decision Schedule

*Decisions Based on  
County Procedure*

*Policy  
Decisions*





## Meeting Objectives

**Overall objective:** obtain feedback on policy framework discussed with Policy Working Group

- ❑ Update from policy working group
- ❑ Discuss entry requirements to program
- ❑ Discuss ranking strategy and criteria






# 02 Follow-up from Meeting No. 2

## Meeting No. 2 Decisions & Action Items

- ❑ Should sea level rise be a factor?
- ❑ Policy Working Group felt this was covered with Critical Area
  - Could incorporate as additional criteria to rank certain critical areas over others
- ❑ Impact on septic areas
  - ~ 6,000 properties intersect 2'–5' inundation area
  - ~ 14,000 properties intersect Critical Area
  - Impact limited to waterfront parcels – not significant portion of any management area
- ❑ Incorporated as stand-alone criteria

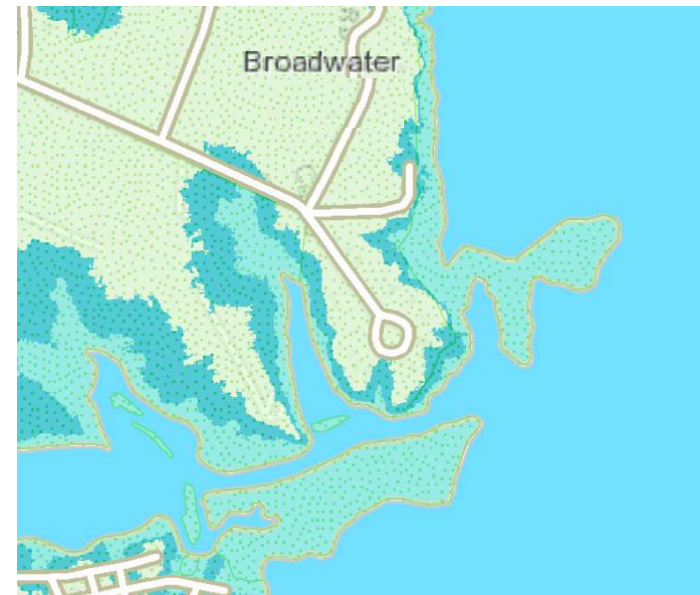


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


-  Critical Area
-  0 to 2 Foot Inundation
-  2 to 5 Foot Inundation

## Meeting No. 2 Decisions & Action Items

- **Sea level rise incorporated as stand-alone criteria**
  - OWMMPA, Critical Area, Sea Level Rise: Each 11%
  - Proximity to Sewer, Cost/lb TN Removal: Both 33%
  
- **Change in ranking compared to Scenario 3**
  - Top 20 management areas needed to meet target TN reduction - either scenario
  - 7 of Top 8 remain in Top 8
  
- **What criteria goes in policy vs. DPW procedures?**

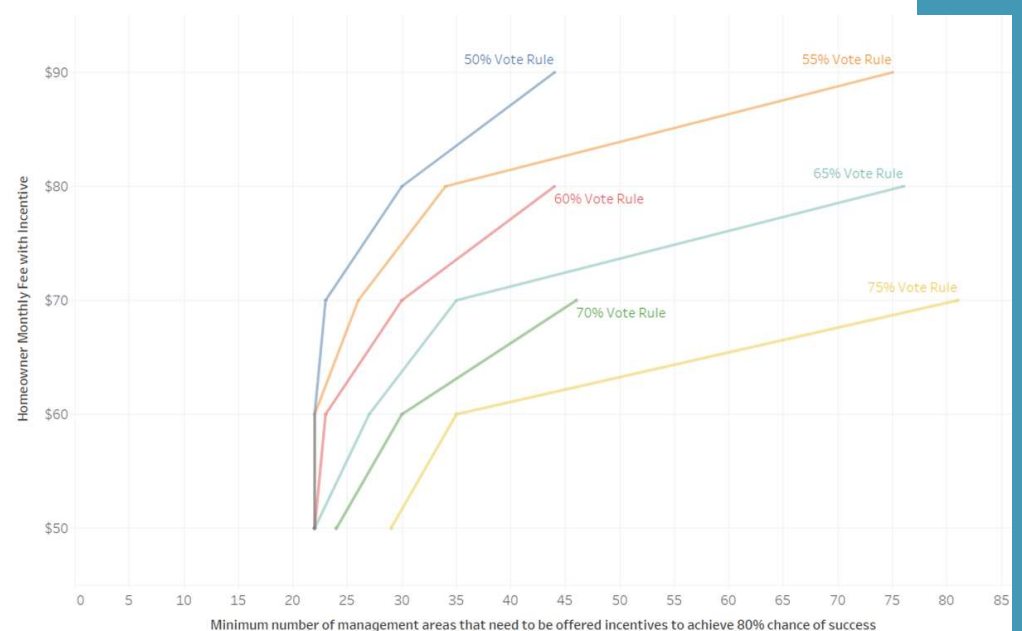


### Legend

-  Critical Area
-  0 to 2 Foot Inundation
-  2 to 5 Foot Inundation

## Meeting No. 2 Decisions & Action Items

- No direct correlation between cost and proximity to sewer
  
- County to investigate number of homes on septic with sewer directly in front of home
  - ~ 650 directly front existing sewer (< 1 acre lot size)
  - 190 of those are in Critical Area or OSWMPA
  - ~350 large lots (>1 acre) front existing sewer
  
- No decisions on cost models – awaiting willingness to pay information from surveys

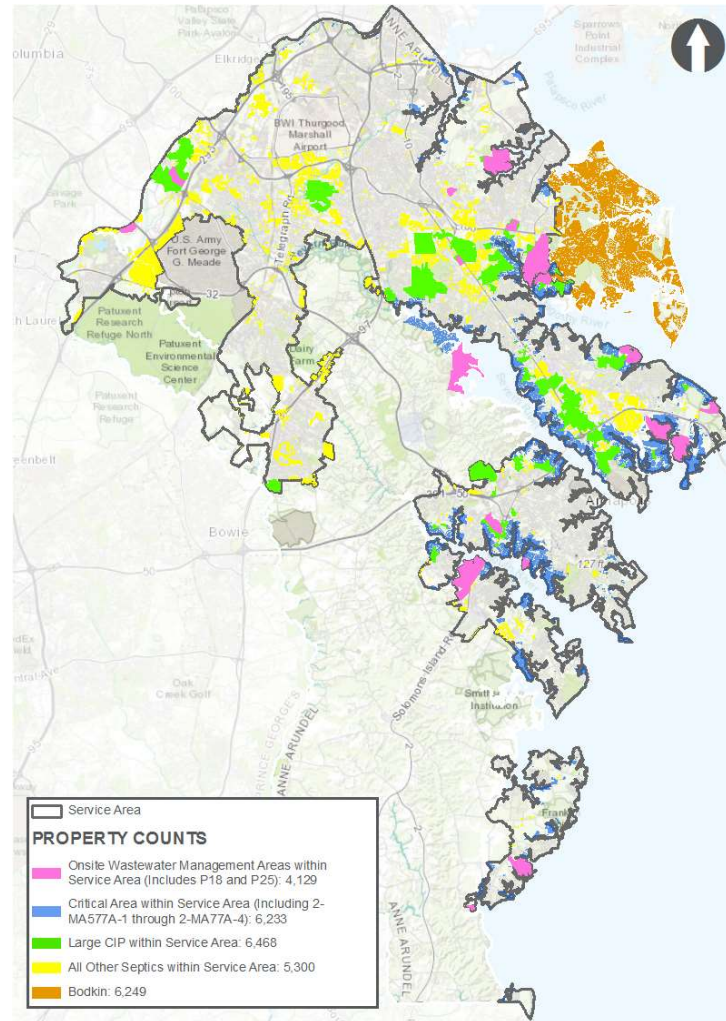


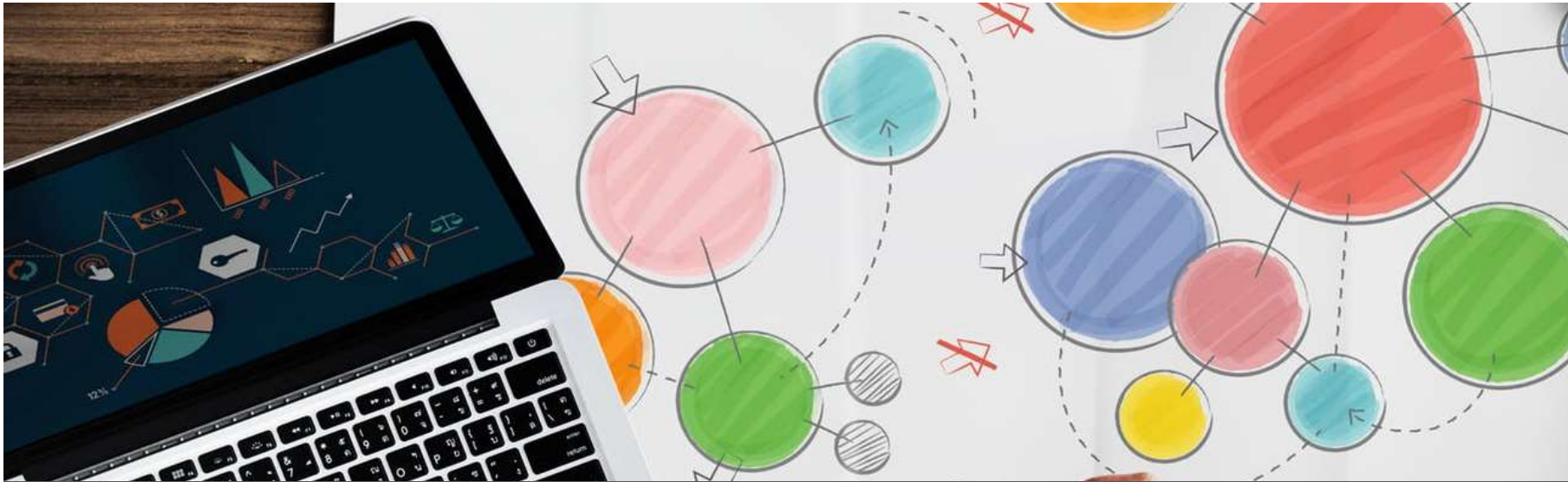


# 03 Survey Update

# Survey Update

- Distribution
  - Mid-August
  - Preliminary results in two weeks
  - Final report – Mid-Late October
- Approximately 900 Results Received to Date
- Going well, receiving positive feedback





# 04 Policy Working Group Update



## Key Tenets

- Helpful to establish key tenets of the septic conversion program
  - Anchors policy decision making
  - Use to guide outreach efforts, brand narrative
  - Limit to a few tenets for effective communication
  
- Proposed consolidation of tenets
  - Improves water quality, mitigates public health risks, and enhances climate change resiliency
  - Affordable, fair and understandable for customers
  - Adaptable and financially stable program for County
  - Outreach driven voluntary program with mandatory connection once community votes

*What defines  
program success?*

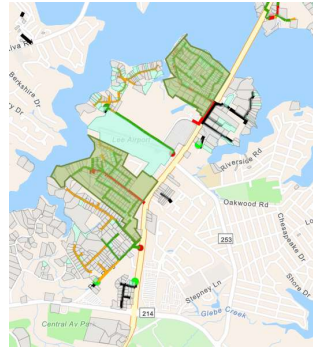
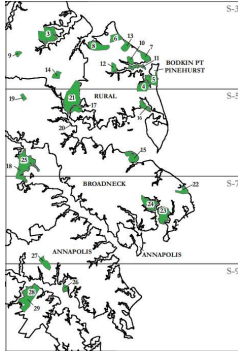
# OSDS Conversion Program Overview

## \$400M Program

- Average \$66,000 per connection for highest priority management areas (includes all fees engineering, admin, etc)
- Plan for 6,000 septic conversions
  - 200/year x 30 years
  - TN reduction target met with 5,400 septic conversions
- Additional ~\$143M for Managed Aquifer Recharge and Minor System Takeover



# OSDS Policy Considerations



Approved by U.S. EPA on November 24, 2010  
 Revision 1 approved by U.S. EPA on November 14, 2012  
 Revision 2 approved by U.S. EPA on January 22, 2015  
 Revision 3 approved by U.S. EPA on November 10, 2016

## Maryland Department of the Environment Integrated Project Priority System for Water Quality Capital Projects Point Sources and Nonpoint Sources

### Overview

This document outlines the criteria and procedures used by Maryland Water Quality Financing Administration (MWQFA) for rating and ranking water quality improvement capital projects to develop an annual Project Priority List (PPL) that will be used to select projects for financial assistance under the following MDE Programs:

- Water Quality Revolving Loan Fund (WQRLF or WQSRF)
- Bay Restoration Fund (BRF) Wastewater Grant
- Biological Nutrient Removal (BNR) Grant

Based on project ranking and/or disadvantaged community status, an applicant may be eligible for partial State grant or additional subsidy under the WQRLF program (i.e., loan principal forgiveness). For further information about eligibility for WQSRF loan principal forgiveness and State grant, review MDE's "Water Quality Funding Eligibility Chart" on the [MWQFA web page](#).

The WQRLF Program can provide below-market interest rate loans up to 30-year term (based on the asset's useful life) and loan principal forgiveness (as additional subsidy) to finance the following types of capital projects:

## Deferment to OSWMPA Only

- Existing petition process
- Realistically limited to 3,500 properties
- Fiscally neutral to County
- Reduces initial property owner cost but requires full repayment

## Targeted "Pilot" Program to Top 5 Management Areas

- Incentive and deferment based
- Same 5 MA rose to the top regardless of weighting criteria
- Target these areas only with future full-scale program
- Fixed monthly cost
- Potential fairness issues as process is not open

## Open Application Process

- Incentive and deferment based
- Application process with strict location criteria on who can apply
- County ranks applications yearly based on identified published criteria
- Re-evaluate criteria and funding on a regular basis
- Fixed monthly costs per project

# Policy Working Group Input

## □ Open Application Process

- Allows for DPW and County flexibility on implementation
- Open to all properties that meet the specific criteria
- Specific criteria regarding eligibility
- Open and transparent

## □ Policy

- Outside of existing petition process
- All new policy
- Incentives will be developed based on willingness to pay
- County's funding source (Utility vs. General Fund) has implications for program stability

## □ Existing Petition Process will Remain

- Could include deferment for Onsite Wastewater Management Problem Areas

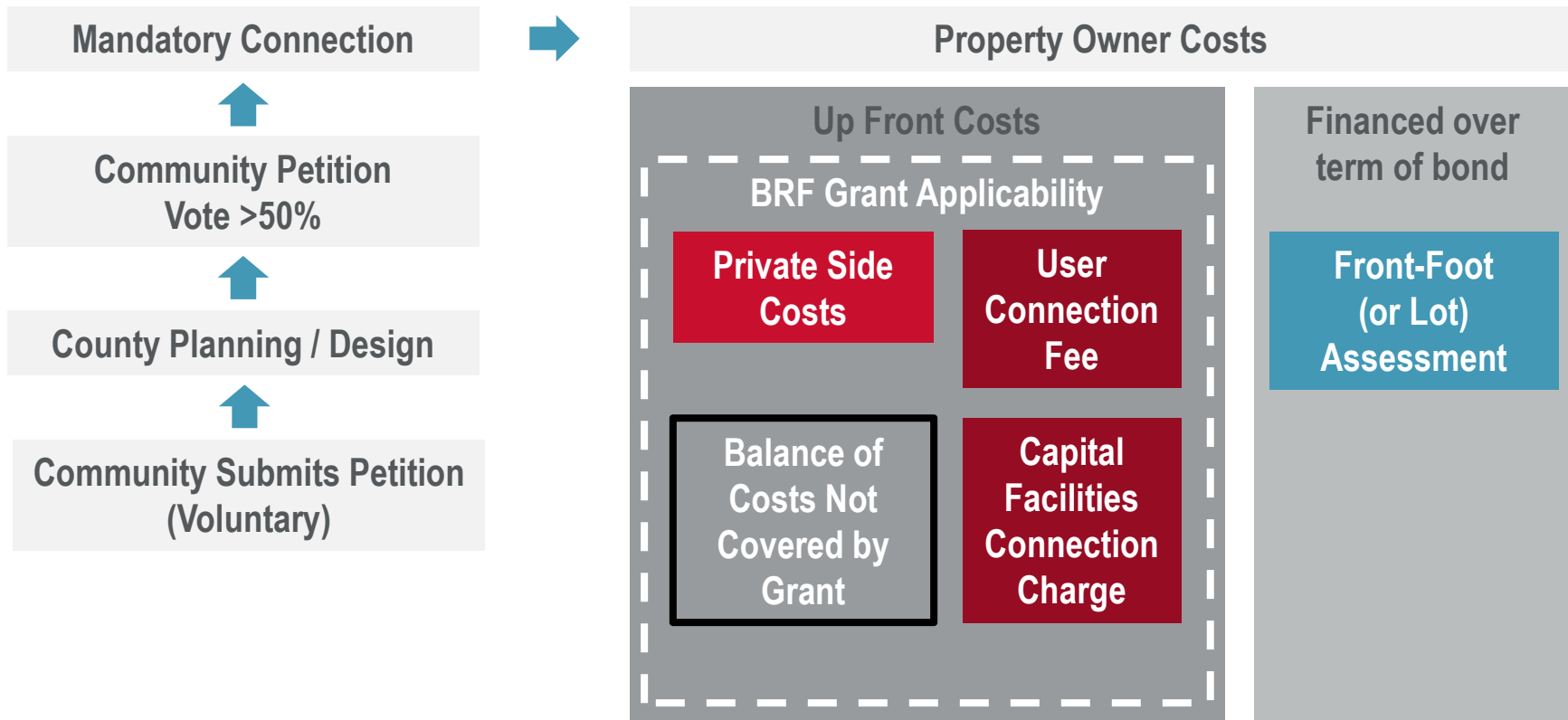




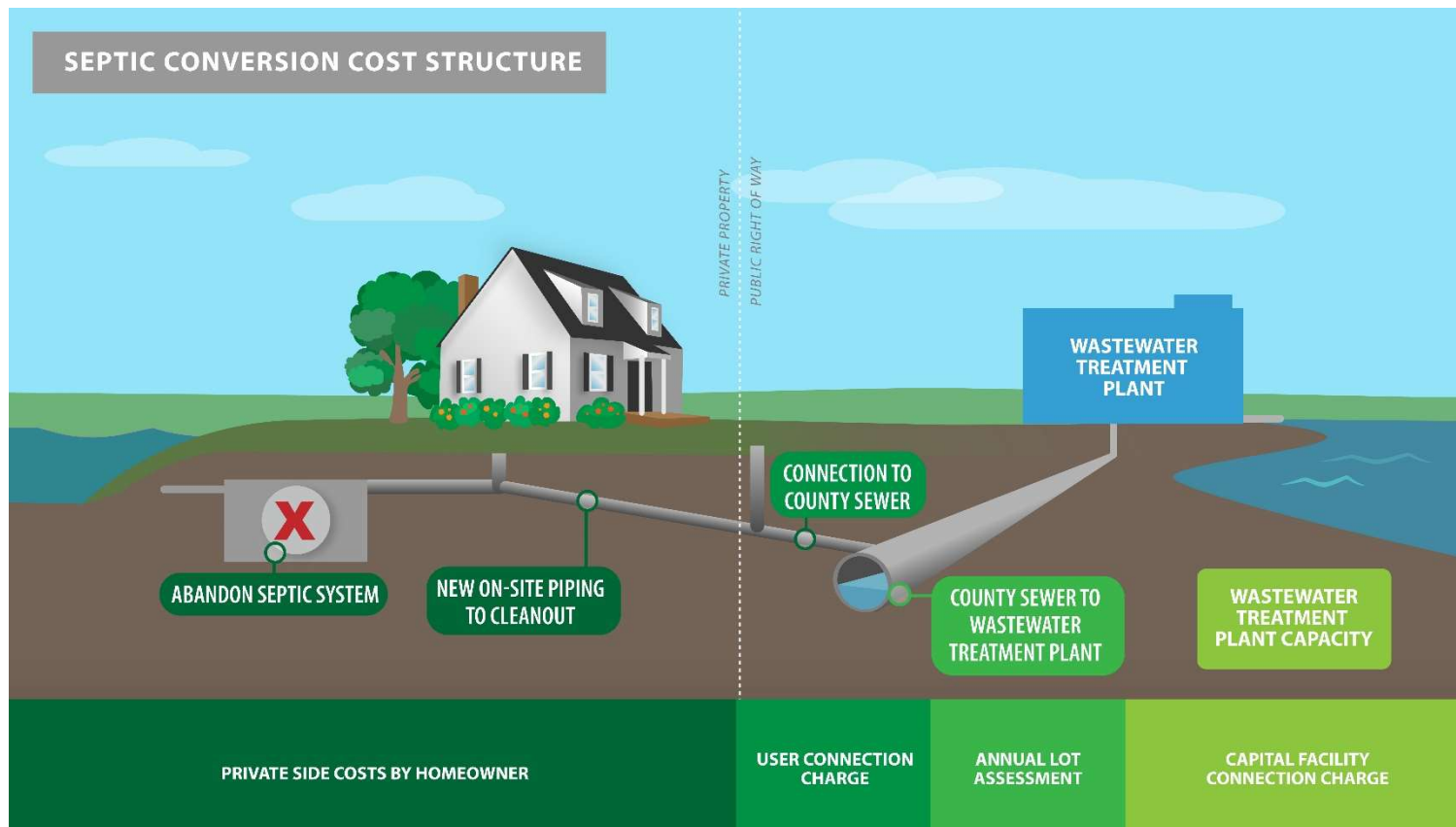
**05**

**Draft OSDS Conversion  
Policy Framework**

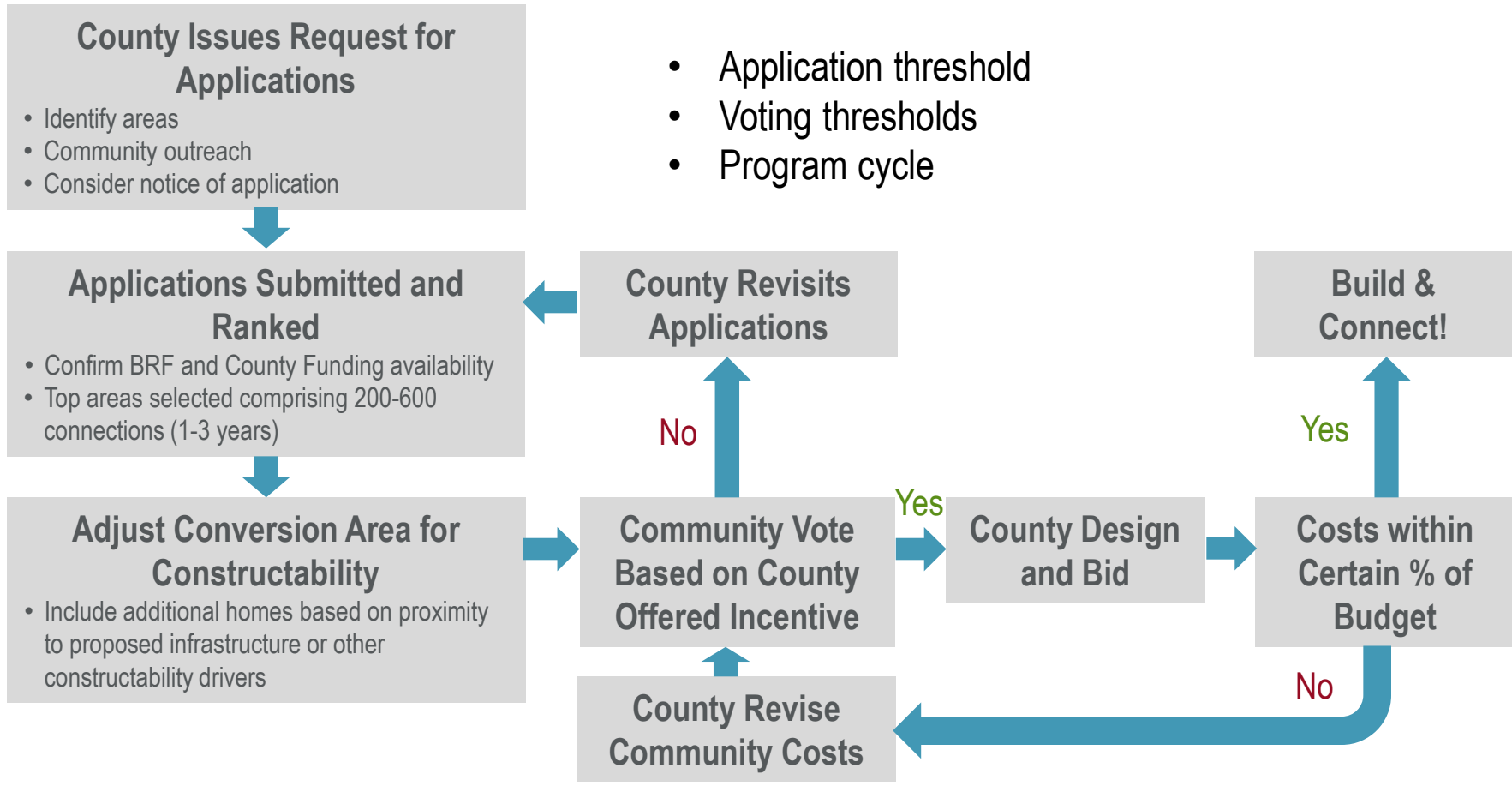
# Existing OSDS Petition Process



# Sewer Connection Cost Variables



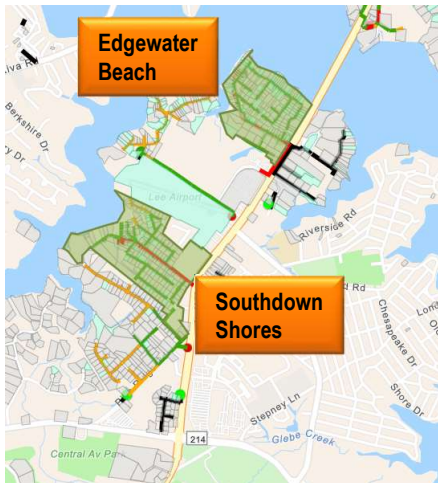
# Potential New Policy for Incentivized Locations





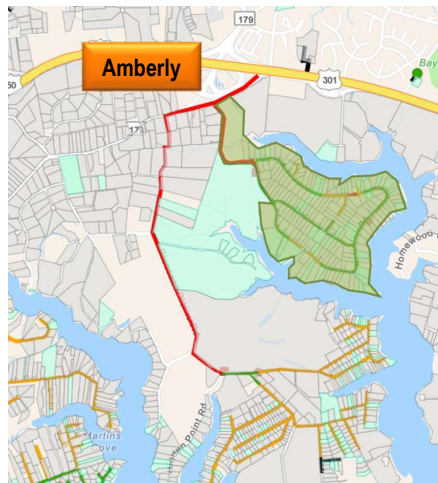
# Fixed Incentive vs. Fixed Cost

Example with Top 5 MAs – target \$10,000 incentive/property and 50% deferment with \$18,000 from BRF



**Edgewater Beach**  
\$82/month  
\$29,700 lump sum at end of bond period

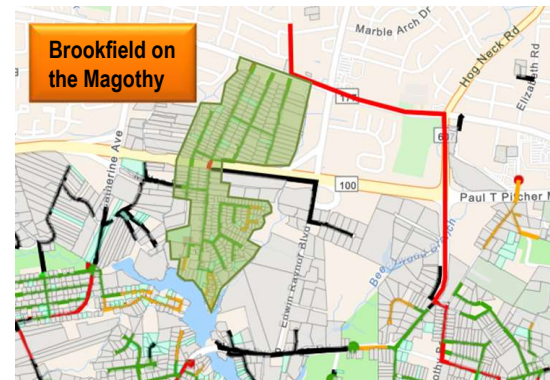
**Southdown Shores**  
\$62/month  
\$22,500 lump sum at end of bond period



**Amberly**  
\$130/month  
\$47,800 lump sum at end of bond period



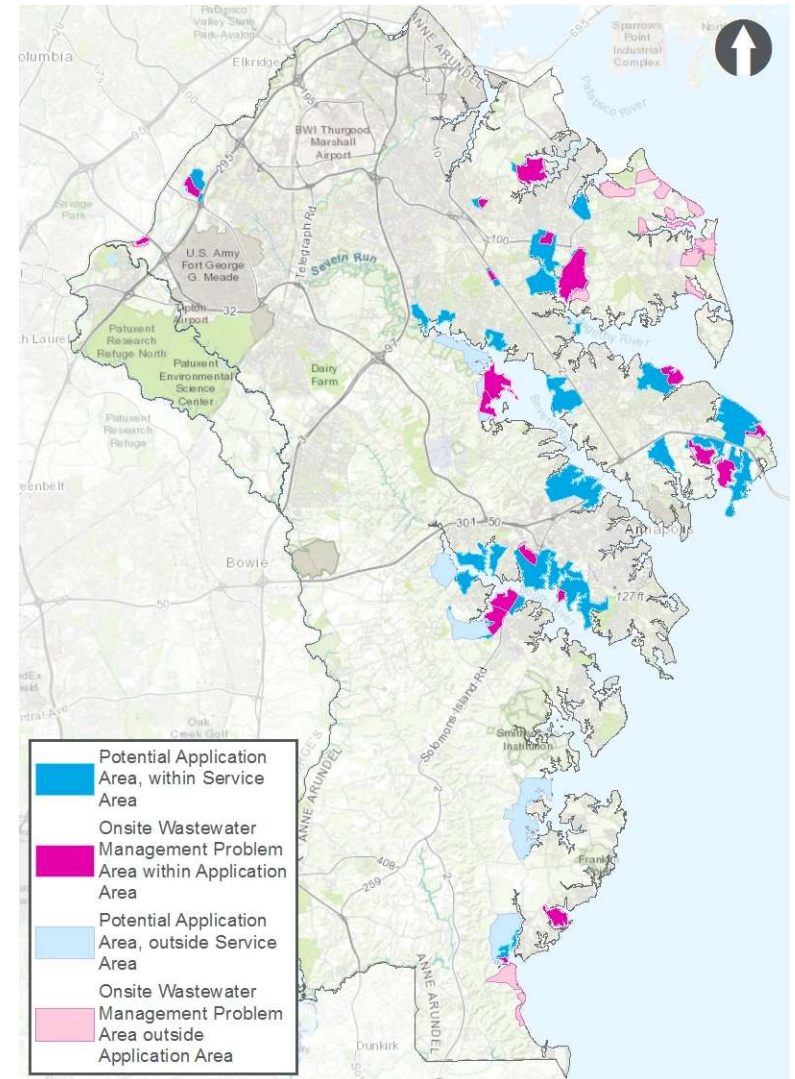
**Shore Acres**  
\$79/month  
\$28,500 lump sum at end of bond period



**Brookfield on the Magothy**  
\$72/month  
\$25,700 lump sum at end of bond period

# Preliminary Program Outreach

- Used to help communities determine likelihood of septic conversion application acceptance
  - Could be GIS format with user-entered address
  - Need to be open about areas that can apply – not just limit to “Large CIP”
- Broad coverage for ease of communication
  - Existing communities served by septic, *and*
  - Located in a Critical Area or Onsite Wastewater Management Problem Area, *and*
  - Located within 1 mile of existing sewer

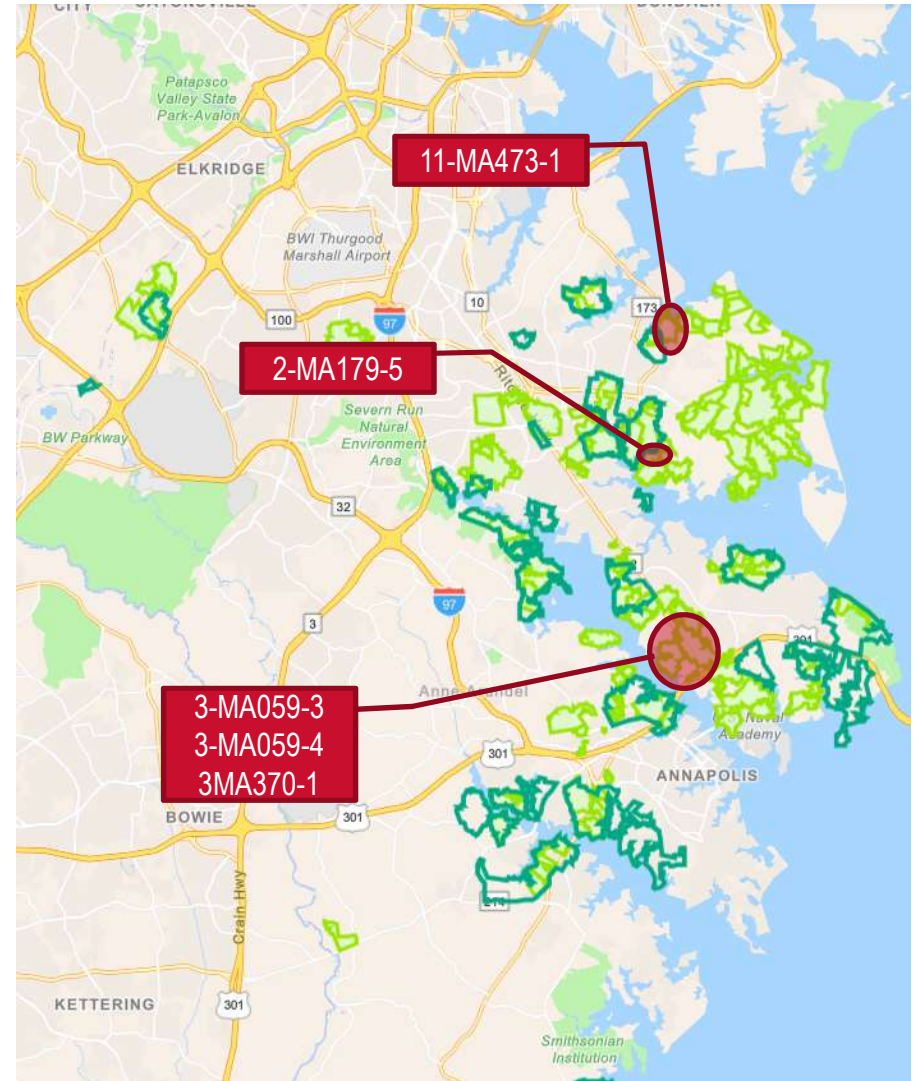


# Considerations

- Areas Outside of Service Area
- Relative high ranking MAs not included
  - 28 of top 31 included
- Is being in an area a requirement or encouragement for application?
  - If requirement, need firm geographic criteria
  - If encouragement, can be more loose on application of boundaries.

## Area Statistics:

~ 10,000 Potential Connections	8,640 in Large or Small CIP
~ 4,000 OSWMPA	~ \$550,000 Average Property Value
(~5,400 total in County)	~ 1,000 Properties > \$1 million



# Policy Considerations for Implementation

## □ Approval thresholds

- % required for application and % required for approval
- 50% - easier to approve project, potentially more outreach effort to address critics
- 67% - higher incentive needed, but community more supportive of project during implementation

## □ Vacant lots

- How do vacant lots vote
- Annual assessment for share of public sewer cost
- Connection fee and capital facility charge paid at time of connection
- Deferment program applicable same as other properties
- Adjacent properties
  - Only waive if lots are rezoned and combined?
  - Update assessment basis annually based on new lot subdivisions?

# Policy Considerations for Implementation

- No upzoning
  
- **Selection and financing of private side contractors**
  - Should County provide pre-approved list of plumbing Contractors?
    - Risk to County if Contractor performs poorly
    - Alternative could be to require licensed plumber
  - Consider County subsidy for on-site costs (similar to County's Failed Sewage & Private Well Fund, C501100)
  
- **Use of sunset provisions**
  - Include requirement for renewal by legislative action?
    - Applies to prioritization criteria?
    - Applies to County incentive?
    - Applies to deferment?
  - Alternative to sunset – clause re program continuation “pending budget limitations”

# Policy Considerations for Implementation

## □ Per lot assessment

- Existing code is written around front-foot.
- Need to amend Code to “per lot” basis

## □ Use of Utility Fund and General Fund

- Utility Fund to be primary funding source – improves fiscal stability of program
- General Fund, if available, used to supplement funding



# County Procedural Considerations for Implementation

- ❑ **Maryland Department of Planning**
  - Meet with MDP and develop global policy
  
- ❑ **How BRF funds are applied?**
  - Approach MDE to allow for both septic (private-side) and wastewater grants
  
- ❑ **Existing BATs?**
  - Confirm if BRF funding available – if so, no action
  - What about people who just made investments?
  - County absorbs any difference?



# County Procedural Considerations for Implementation

- Commercial and industrial properties
  - Fixed ratio to private?
    - Commercial – 3X, Industrial – 5X
    - Size of lateral
  - Base on EDU?







# 06 Decisions & Next Steps

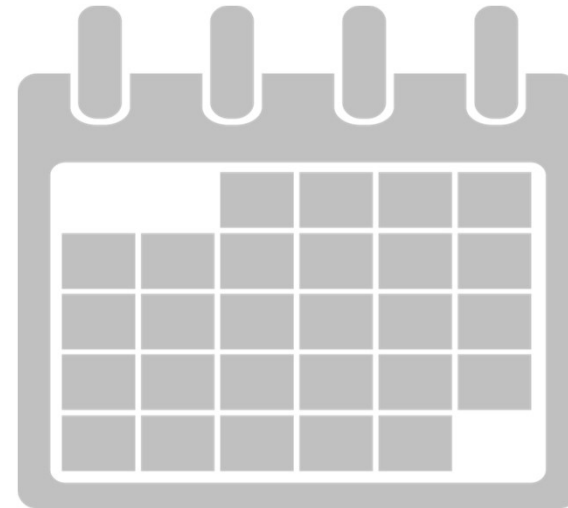
# Decisions

- Text



# Task Force Schedule

- ❑ Policy Working Group – September 24, 2019
- ❑ Fiscal Working Group – October 8, 2019
- ❑ Meeting No. 4 – October 15, 2019
  - Proposed funding strategy
  - Proposed administrative process for OSDS conversions
  - Project identification and implementation schedule



# Next Steps

- **Collect surveys (OSDS Program Team)**
  
- **Prepare for Task Force Meeting No. 4**
  - Fiscal group – Identify funding availability and sources
  - Policy Group – New OSDS Conversion Process



**Thank You!**



## Appendix F

Policy Working Group Meeting No. 2

# Policy Working Group Meeting Minutes

Project:	OSDS Strategic Planning	
Subject:	Policy Working Group Meeting No. 2	
Date:	Tuesday, September 24, 2019	
Location:	2662 Riva Rd, Ron Bowen Conference Room	
Attendees:	<p>Community Representatives:</p> <p>Jerry Pesterfield (Herald Harbor)</p> <p>Jesse Iliff (South River Federation)</p> <p>Lloyd Lewis (Mayo)</p> <p>Sally Hornor (AA Community College/Severn River)</p> <p>Jim Doyle (Edgewater Beach)</p>	<p>Anne Arundel County Representative:</p> <p>Jessica Haire (County Council)</p> <p>Matt Pipkin (County Council – Jessica Haire)</p> <p>Linda Schuett (County Council – Jessica Haire)</p> <p>Matthew Johnston (Office of the County Executive)</p> <p>Chris Phipps (Department of Public Works)</p> <p>Chris Murphy (Department of Public Works)</p> <p>Karen Henry (Department of Public Works)</p> <p>Cindy Carrier (Office of Planning and Zoning)</p> <p>Kelly Kenney (Office of Law)</p> <p>OSDS Strategic Planning Team:</p> <p>Jeff Eger (HDR) – By Phone</p> <p>Ed Shea (HDR)</p> <p>Brian Balchunas (HDR) – By Phone</p> <p>Joe Sowinski (HDR)</p> <p>Ziwei He (HDR) – By Phone</p>

The following is a summary of the discussions at the meeting, general conclusions reached, and actions moving forward.

1. The meeting was started introductions of the attendees, review of the meeting agenda and upcoming meeting schedule, as well as a review of action items from the prior Task Force Meeting 3 and the previous Policy Working Group Meeting. The Fiscal Working Group will meet again on October 8, and Task Force Meeting No. 4 has been moved to October 17.
2. The group discussed the draft policy framework in relation to the existing petition process.
  - a. Ed Shea summarized the key components of a fair and implementable program as discussed during previous meetings, which are absent from the existing petition process. These include:
    - i. Areas based on prioritization criteria (ultimately driven by nitrogen reduction)
    - ii. Minimize number of votes and public meetings
    - iii. Understandable costs
    - iv. Supported by outreach efforts
    - v. DPW flexibility to modify areas driven by good engineering
    - vi. County off-ramp
    - vii. Flexibility to adjust parameters in future
  - b. Ed Shea summarized the key steps in the existing petition process, which includes multiple review steps, no ability for DPW to outreach directly to communities, and no ability for DPW to modify the proposed project boundaries.
  - c. Kelley Kinney indicated that there may be room within the existing code for DPW to work with a community to develop the project area before the petition is submitted.
  - d. Karen Henry noted that once the petition is submitted the area is set.
  - e. Chris Phipps described the Department's determination of whether a petition project is "financially sustaining." The proposed front foot assessment for a given project must be within a pre-determined cap. If the estimated construction costs or bid results yield a front foot assessment that exceeds the cap, the project is deferred to community re-vote. Community members then have an option to make up the financial gap or abandon the project. If community votes yes, project goes to Council for approval.
  - f. There was a brief discussion about whether to change the overall approval percentage for an area should be greater than 50%. No decision was made on this subject.
  - g. A map will be developed to communicate areas of likely program eligibility. The group prefers to use the map boundaries to encourage application within mapped areas, rather than to limit applications to those areas. There was a discussion about whether all properties in a project area should be eligible for a deferment, or only in defined areas. It was noted that upcoming meetings will provide information on the financial impact and the overall willingness to pay, and it may be easier to decide after more information is available.
  - h. Jim Doyle mentioned that the guidance given for Edgewater community was confusing for calculation of front foot, and delineation of connection charges vs.



assessment charges included in the vote. Similar sized lots had different front foot costs. Also, he suggested that the process be professionally managed by either the County or a third party for neutrality, and to avoid confusion. **Action Item: DPW Finance to review current procedures for communicating project costs to the community before and during a vote.**

3. The existing County codes related to the conversion program were reviewed.
  - a. Special Community Benefit Districts are currently established to construct community system improvements. Kelly Kenney commented that this is not recommended because to set up these districts there needs to be 2/3 vote by number of property, and also weighted by property value.
  - b. Extension on initiation by DPW is currently limited to “unfit” areas where septic failures have been identified. Jim Doyle voiced concerns on the Health Department’s criteria in deciding which properties are in the Onsite Wastewater Management Problem Area (OWMPA). There is question whether the systems within the boundary can be labelled “un-fit” septic system. Chris Phipps explained that the OWMPAs are listed in the Water and Sewer Master Plan, which is periodically updated. The most recent updated version is 2017 and a new version is due 2020. **Action Item: DPW to inquire Health Department to make clarifications on specific criteria and adjust boundary as needed. DPW to propose amendment to current Subtitle 302 or 303 to allow County ability to define project boundaries and initiate outreach for subsidized/targeted areas.**
  - c. 50% deferment policy can potentially be added to 13-5-815 Exemption section, but as written this only applies to problem areas. It would not allow for deferment for the properties in the petition project boundary that includes some homes located outside of a problem area. The group agreed that the proposed legislation should be modified to account for this. **Action Item: DPW to review limitations on subsidy and deferment application for project areas that include a mix of OWMPA and non-OWMPA sites.**
  - d. The group discussed the existing Front Foot Assessment policy, and the desire to change to a “per lot” basis. Kelly Kenney described that a per lot basis is problematic for commercial lots, which would need to also be consistent with State laws. The group debated on whether it would be better to move to per lot or equivalent dwelling unit (EDU) basis. EDU basis was chosen because of its ability to represent flow rate and distinguish commercial and industrial properties from residential properties in a mixed zoned area. **Action Item: DPW will propose code change to subtitle 6 Front Foot Assessments to cross-reference Subtitle 8 Determination of EDU.**
4. The group reviewed Councilwoman Jessica Haire’s proposed revised code language on screen, from Article 13, Title 5, Subtitle 3 Extension of Public Water and Wastewater Systems. The Councilwoman indicated that after reviewing the applicable code sections, it did not appear necessary to create an entirely new process within the code. Revisions

and/or additions could be made to specific sections to enable elements of the new program.

- a. Exemption for “Wastewater Management Problem Areas” – Chris Phipps expressed a desire to refer instead as “Management Areas” consistent with the broader prioritized areas identified by the new septic conversion program. The group discussed that there will be project areas with the overall targeted Management Areas. **Action Item: DPW will propose new definition “Project Area” in paragraph (A) Definitions. DPW will evaluate the financial risk related to extending the deferment to all properties, not just those in the Problem Areas.**
- b. Subsidies and Waivers, paragraph (A) Establishment – Group wishes to delete “failing” so subsidies can apply to all septic systems in the subsidized/targeted areas. Subsidy needs to apply to cost of extending *and connecting to* the public sewer.
- c. Capital Facility Connection Charge – Jessica Haire and Chris Murphy voiced concerns of expensive user connection fees for some sites that are topographically challenged or in regards to location of sewer if located across wide right of way. Instead of creating waivers, the group agreed that a subsidy that is applicable to the user charges is easier to implement and communicate.
- d. Determination of basic rate - DPW explained that a certain cost overage should be allowed in the new program, but if the overage is too severe, the County would still have to go back to the community and conduct a re-vote. **Action Item: DPW Finance to review code to determine proposed changes to address this topic.**
- e. Subsidy – Chris Phipps likes having the 33% maximum subsidy because it provides a guardrail, and reflects an even 1/3 share with State and Homeowner being the other 2/3. Implied source of funding is Utility Fund since this section is part of Article 13.
- f. Subsidy eligibility – The group discussed the merits of limiting the subsidy to low income households compared to offering a subsidy to all property owners in a prioritized Management Area. Jim Doyle expressed a preference for eligibility based on wealth instead of income, because some individuals report lower income but otherwise have the means to afford project costs. As discussed in previous meetings, a subsidy must be offered to all property owners in order to attain a successful rate of participation under a voluntary/mandatory program.
- g. Jim Doyle suggested that communities that have land to donate to the project should reduce the cost of the project reflected in land acquisition costs. He suggested this be included in cost criterion. The group agreed with this idea.
- h. Prioritization Criteria for Subsidy/Waiver – Ed Shea clarified criteria to be included per discussion at previous meetings regarding prioritization. Matthew Johnston suggested to leave prioritization criteria out of code and be a DPW decision, which would be addressed in an update to the Rules and Regulations. Chris Phipps prefers that the criteria included in code, since this provides the Council’s backing to the criteria. Chris Murphy suggested that the criteria not be

written so tightly around problem areas and should give the problem more flexibility. **Action Item: DPW to provide clarification on inclusion of suggested prioritization criteria in legislation.**

- i. The proposed deferment term of 40 years was discussed. Need to clarify “for purposes of extension of water and wastewater services to existing communities.” This avoids potential conflicts with existing policies and procedures regarding new development.
  - j. The group is interested in a forked concept: several options are available when a community engages in the open application process, including the existing petition (with deferment) and incentivized program (with deferment). The group confirmed that this approach seemed feasible, and that a new code section did not appear needed.
5. Closing remarks
- a. Jim Doyle reiterated that a dedicated utility enterprise fund that DPW have control of would be more financially sustainable for the project. If the funds come out of the general fund, the project would be competing against other issues every year and would not guarantee funding. This setup would also increase the user base in the enterprise fund. Additionally, this fund would allow contingency to cover a certain percent of overages on construction.
  - b. There was a discussion about how and when to involve the State. Generally, it was agreed that County should further develop its plan and bring to the State once it has moved forward at the local level. The County’s demonstration of commitment may helpful in subsequent discussion.

*Advancing environmental  
stewardship in Anne Arundel County*

**OSDS Strategic Planning**  
Task Force Policy Working  
Group Meeting No. 2



September 24, 2019



# Septic Task Force Members

Community Representatives	
Jim Doyle	Edgewater Beach Community
Jeff Holland	West/Rhode Riverkeeper
Jesse Iliff	Arundel Rivers Federation
Sally Hornor	AA Community College/Severn River
Lloyd Lewis	Mayo Community
Jerry Pesterfield	Heritage Harbor
Eric Devito	Stone Matteis Xenopoulos & Brew, PC
Eliot Powell	Whitehall Development
Ben Wechsler	Linowes and Blocher LLP
Karen McJunkin	Elm Street Development




# County Representatives

## Anne Arundel County Representatives

Kim Cluney	Department of Public Works – Business and Financial Services
Matthew Johnston	Office of the County Executive – Environmental Policy Director
Jessica Haire	County Councilmember
George Heiner	Department of Public Works – Engineering
Karen Henry	Department of Public Works – Assistant Director
Albert Herb	Department of Health – Sanitary Engineering
Erik Michelsen	Department of Public Works – Watershed Protection and Restoration
Cindy Carrier	Office of Planning and Zoning – Long Range Planning Division
Chris Murphy	Department of Public Works - Engineering
Chris Phipps	Department of Public Works - Director





**01** Task Force Schedule & Meeting Objectives

**02** Key Tenets and Previous PWG Input

**03** Draft Legislation

**04** Summary of Existing Legislation

**05** Draft OSDS Conversion Policy Framework

**06** Decisions & Next Steps



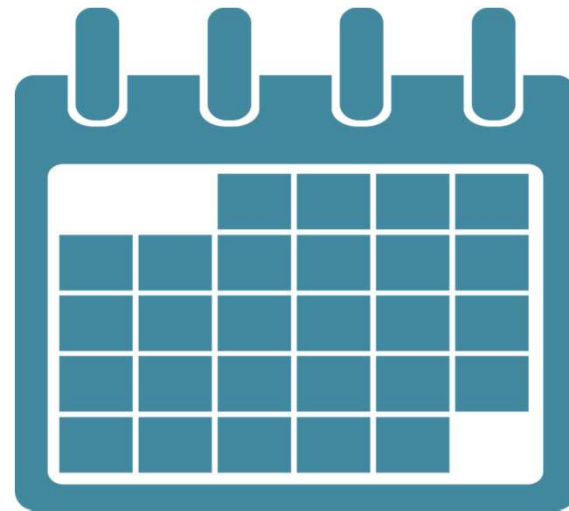
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## Task Force Schedule & Meeting Objectives



# Task Force Schedule

- **Meeting No. 1 – July 22, 2019**
  - Prioritization of program areas
  - Re-convene Working Groups as necessary (and available)
- **Meeting No. 2 – August 22, 2019**
  - Incentive / subsidy alternatives
  - DPW draft policy framework
- **Meeting No. 3 – September 19, 2019**
  - Proposed policy
  - Proposed incentive criteria
- **Meeting No. 4 – October 17, 2019**
  - Proposed funding
  - Proposed administrative process
  - Project identification and implementation schedule



# Task Force Schedule – Working Groups

- **Land Use** [no further action unless determined in upcoming sessions]
  - Members of Land Use Working Group interested in other working groups?
  
- **Fiscal** [met August 6, follow-up October 8]
  - Incentive / subsidy alternatives
  - Funding alternatives
  
- **Policy** [met September 5, follow-up September 24]
  - Draft legislation
  - Proposed incentive criteria
  - Proposed administrative process for OSDS conversions



## Meeting Objectives

**Overall objective:** obtain feedback on policy framework discussed with Policy Working Group

- ❑ Discuss draft legislation
- ❑ Discuss entry requirements to program
- ❑ Discuss ranking strategy and criteria



# 02 Key Tenets and Previous PWG Input

## Key Tenets

- Helpful to establish key tenets of the septic conversion program
  - Anchors policy decision making
  - Use to guide outreach efforts, brand narrative
  - Limit to a few tenets for effective communication
  
- Proposed consolidation of tenets
  - Improves water quality, mitigates public health risks, and enhances climate change resiliency
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- Open to all properties that meet the specific criteria
- Specific criteria regarding eligibility
- Open and transparent

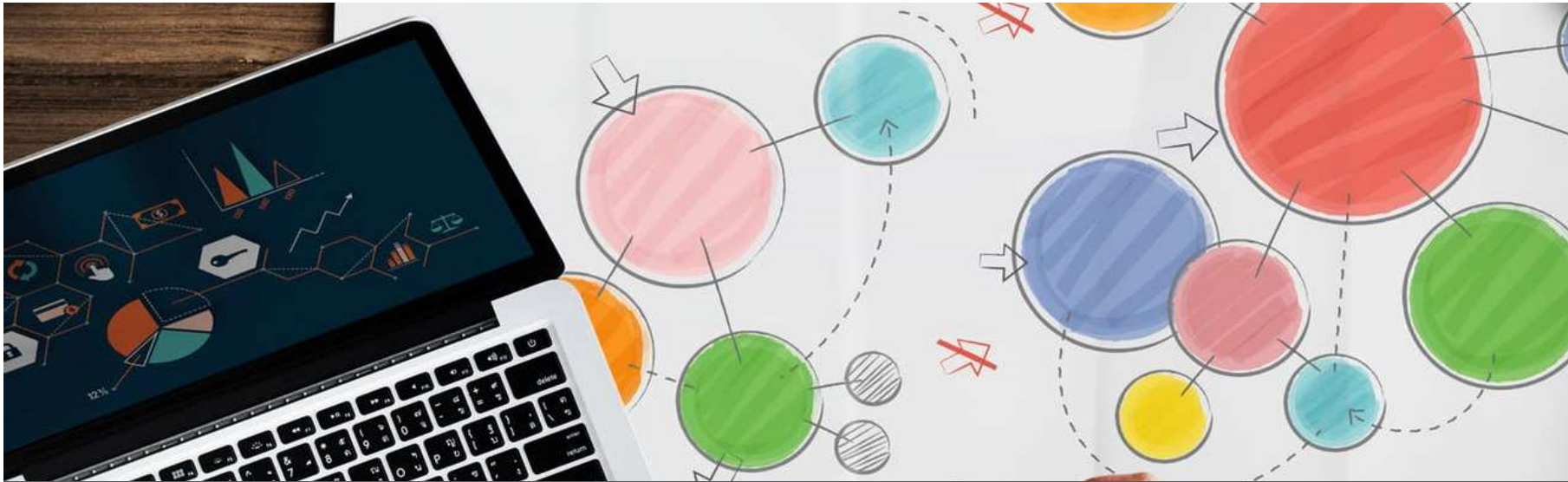
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- Could include deferment for Onsite Wastewater Management Problem Areas





# 03 Draft Legislation

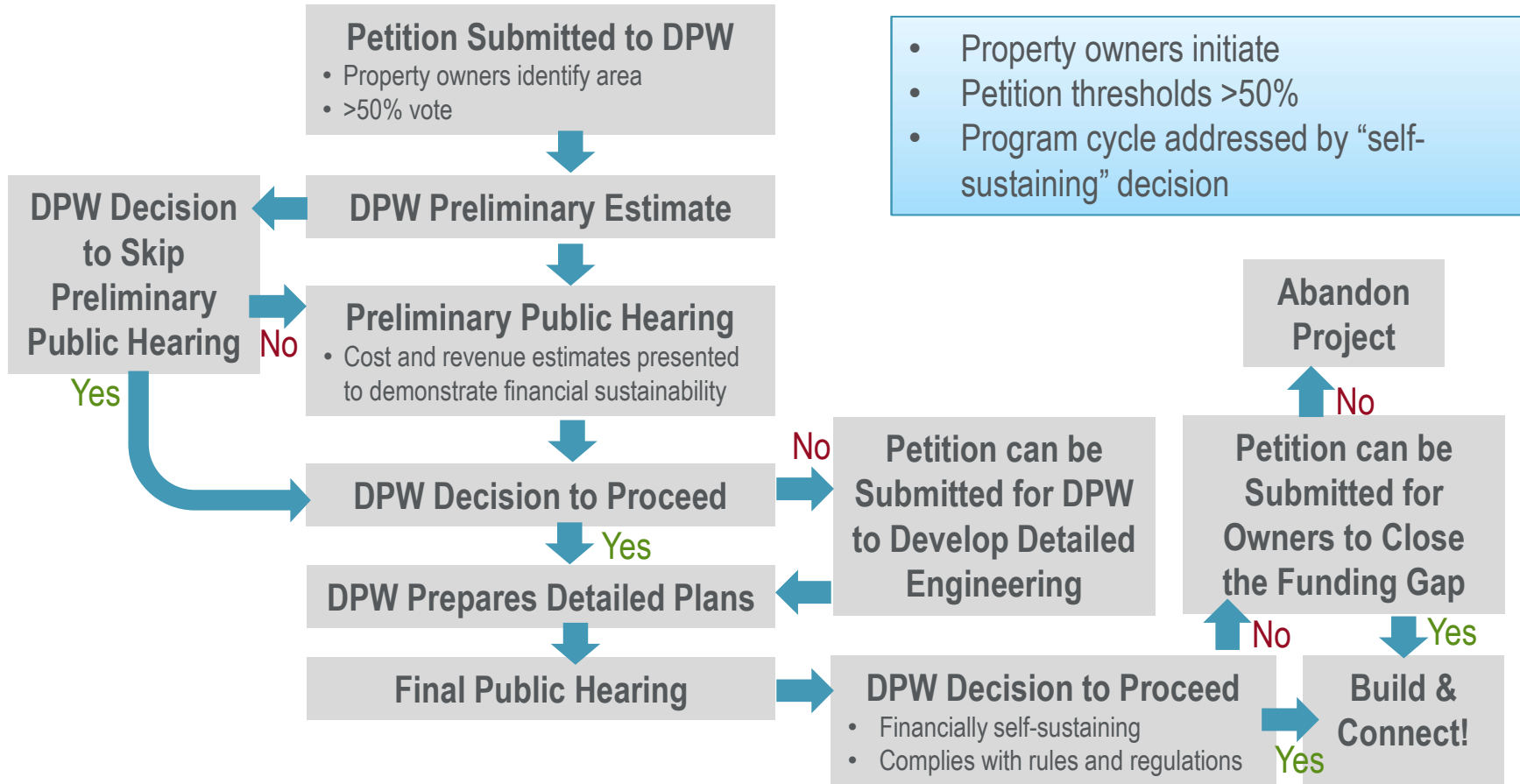
# Key Components of Fair and Implementable Program

- ❑ Areas based on agreed to prioritization criteria (nitrogen with additional benefit of hooking up problem areas)
- ❑ Minimize number of votes and public meetings
- ❑ Understandable costs
- ❑ Supported by outreach efforts
- ❑ DPW flexibility to modify areas driven by good engineering
- ❑ County off-ramp
- ❑ Flexibility to adjust parameters in the future

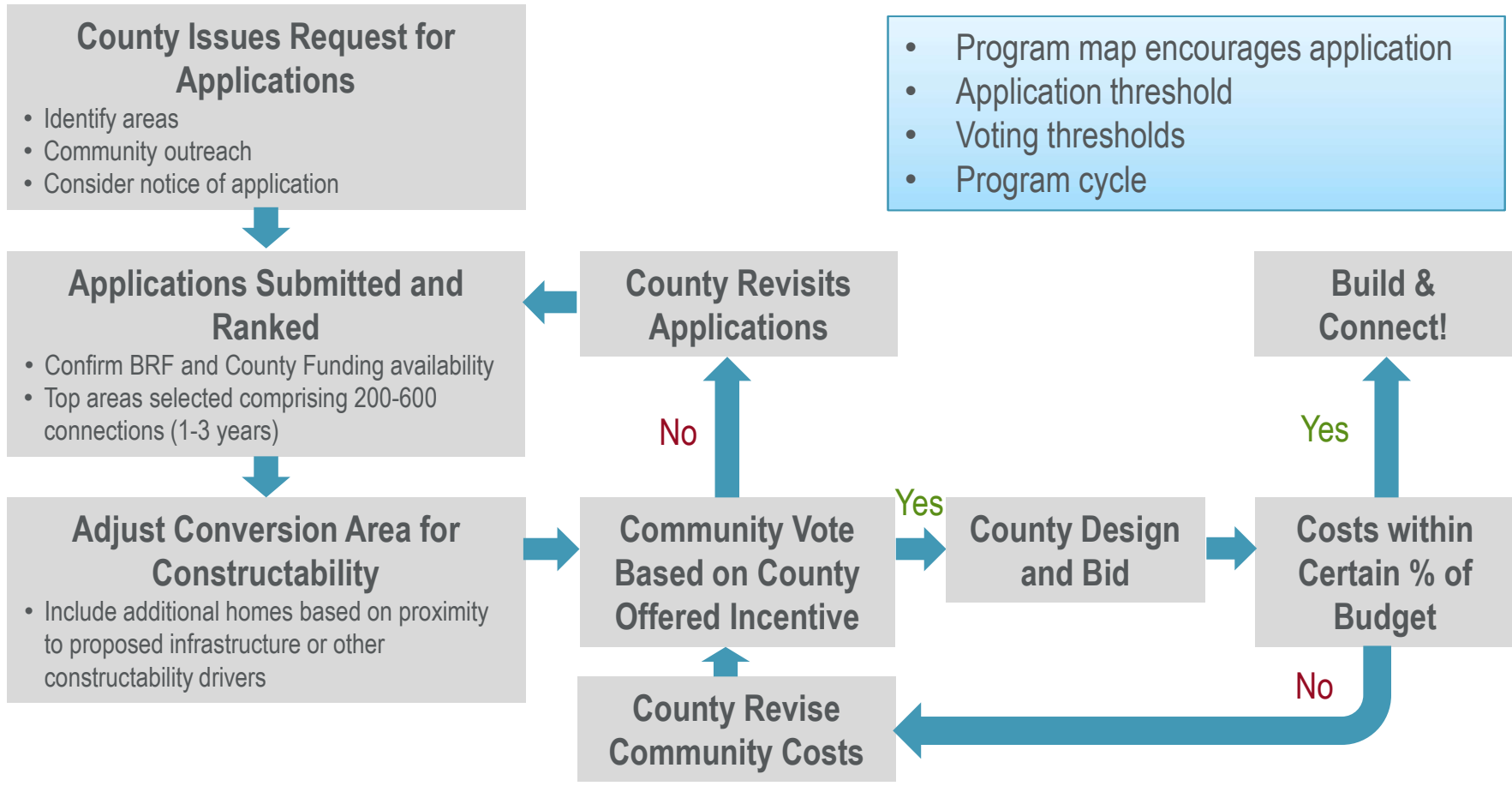


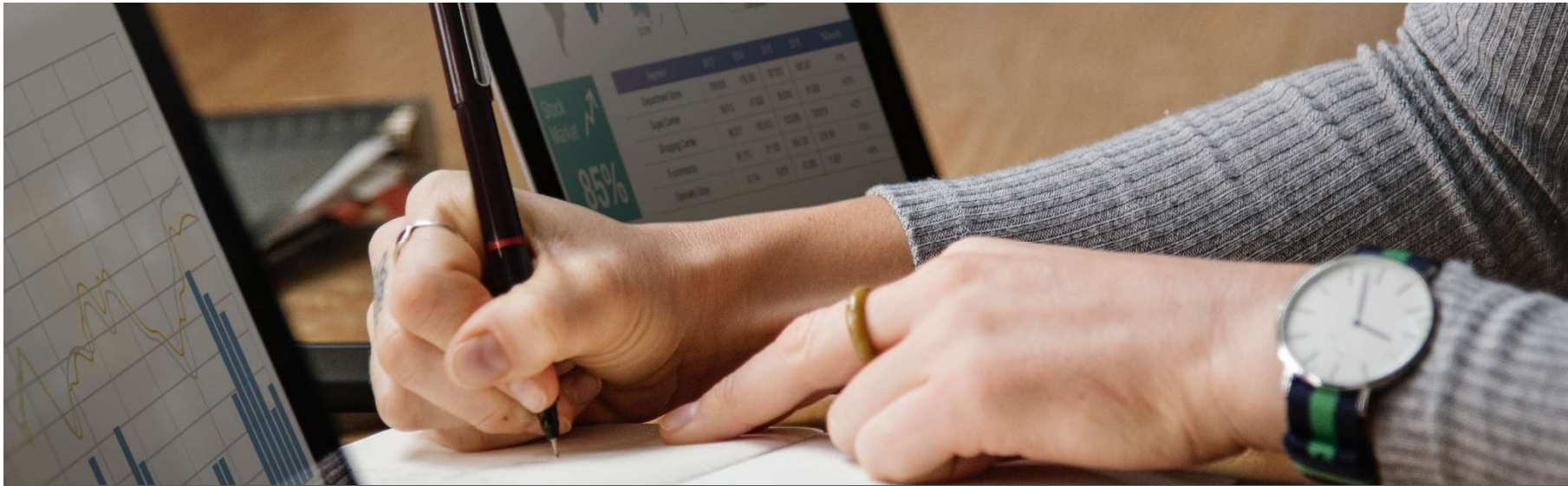


# Extension on Initiation by Property Owners (13-5-303)



# Potential New Policy for Incentivized Locations





# 04 Summary of Existing Septic & Sewer Legislation

# Existing County Codes

## Septic Systems or Sewer Extension

- ❑ **4-7-204 Special Community Benefit Districts**
  - established to construct community system improvements
  - Necessary to overcome front foot assessment?
- ❑ **13-5-302 Extension on Initiation by Department**
  - Is this for unfit areas only?
  - Can it be use for this project?
- ❑ **13-5-303 Extension on initiation by property owners**
  - (a) Requires majority of Owners, boundaries include in petition
  - (k) Requires project to be self-sustaining, (l) Determination of self-sustaining – 30 years
    - Can term “other contributions in aid of construction” be used for County funds?
  - (t) Allows County Executive to establish new rules and regulations
  - DPW policy that defines areas need to be contiguous
  - Number of steps
  - Review for alignment with proposed “open application” process



# Existing County Codes

## Septic Systems or Sewer Extension

- ❑ **13-5-305 Connections to public wastewater mains required**
  - (f) Completion of connection requires owner to arrange to complete the public sewer connection and disconnect septic tank within 9 months from issuance of notice
- ❑ **13-5-408 Allotment of wastewater capacity**
  - Any need to strengthen to incorporate new prioritization factors?
- ❑ **13-5-6 Front Foot Assessments**
  - Add lot basis for all extensions or just septic conversions?
- ❑ **13-5-7 Special Benefit Charges**
  - Update with Lot basis
- ❑ **13-5-813 Water and Wastewater System Connection Charges and Assessments**
  - Existing charges and assessments are confusing



# Existing County Codes

## Septic Systems or Sewer Extension

- **13-5-815 Exemption for elderly or disabled**
  - Incorporate 50% deferment cost here
  - How to differentiate properties in same sewershed that are outside problem area
    - Deferment amount based on % of petition properties in problem area
- **13-5-816 Wastewater revolving fund**
  - Include priority septic conversions?
- **15 Plumbing Code Amendments – 301.3.1 Abandonment of septic tanks**
  - No changes recommended
- **17-8-203 Critical Area Overlay – Septic requirements**
  - Any need to coordinate with Critical Area / Sea level rise prioritization?
  - Also 17-9 Bog Overlay

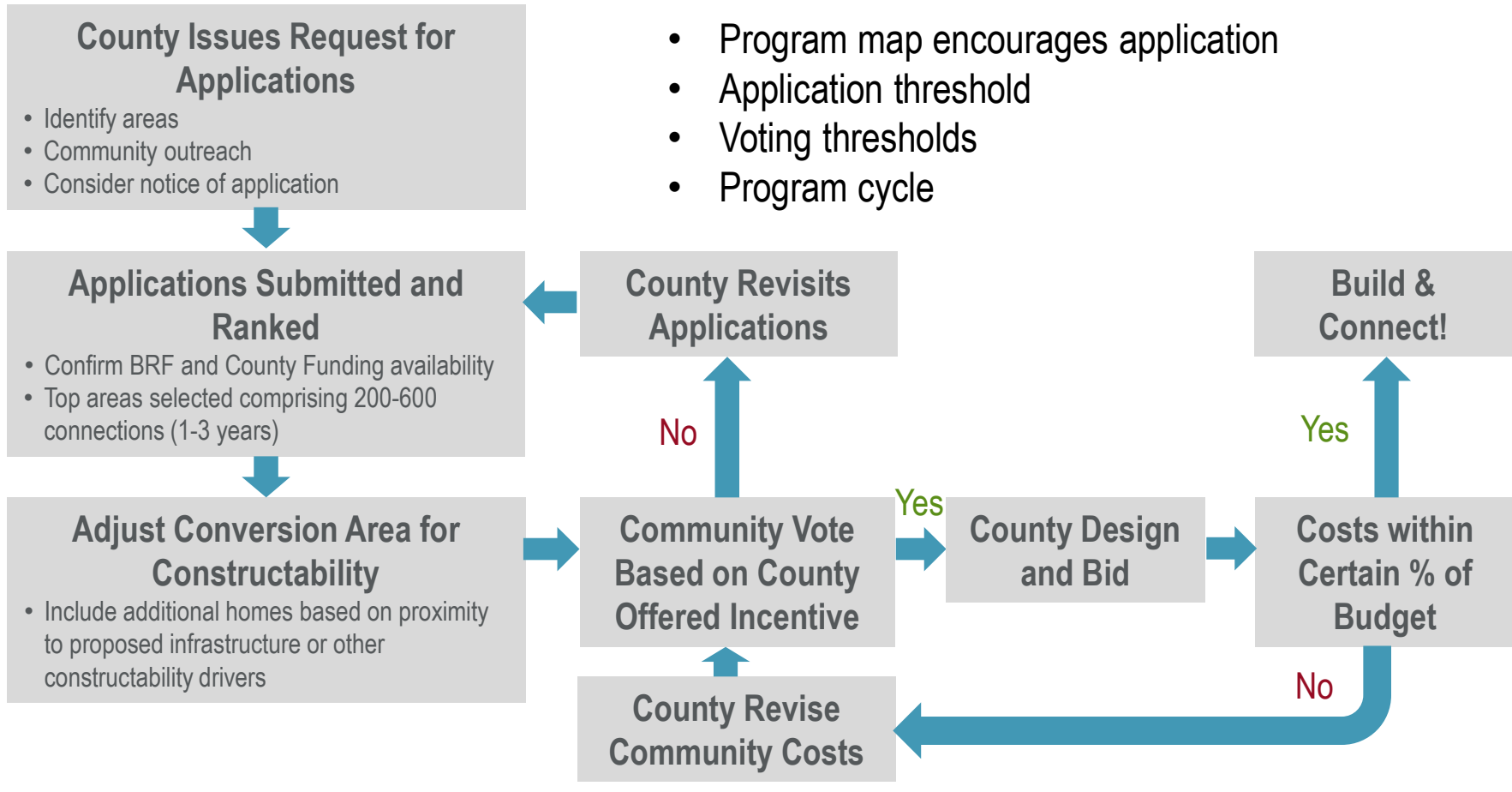




**05**

## **Draft OSDS Conversion Policy Framework**

# Potential New Policy for Incentivized Locations





# Policy Considerations for Implementation

## □ Approval thresholds

- % required for application and % required for approval
- 50% - easier to approve project, potentially more outreach effort to address critics
- 67% - higher incentive needed, but community more supportive of project during implementation

## □ No upzoning

## □ Per lot assessment

- Existing code is written around front-foot.
- Need to amend Code to “per lot” basis

## □ Use of Utility Fund and General Fund

- Utility Fund to be primary funding source – improves fiscal stability of program
- General Fund, if available, used to supplement funding

# Policy Considerations for Implementation

## □ Vacant lots (Policy?)

- How do vacant lots vote
- Annual assessment for share of public sewer cost
- Connection fee and capital facility charge paid at time of connection
- Deferment program applicable same as other properties
- Adjacent properties
  - Only waive if lots are rezoned and combined?
  - Update assessment basis annually based on new lot subdivisions?

## □ Selection and financing of private side contractors (Policy?)

- Should County provide pre-approved list of plumbing Contractors?
  - Risk to County if Contractor performs poorly
  - Alternative could be to require licensed master plumber / disposal system contractor
- Consider County subsidy for on-site costs (similar to County's Failed Sewage & Private Well Fund, C501100)

# County Procedural Considerations for Implementation

- ❑ **Maryland Department of Planning**
  - Meet with MDP and develop global policy
  
- ❑ **How BRF funds are applied?**
  - Approach MDE to allow for both septic (private-side) and wastewater grants
  
- ❑ **Existing BATs?**
  - Confirm if BRF funding available – if so, no action
  - What about people who just made investments?
  - County absorbs any difference?



# County Procedural Considerations for Implementation

- Commercial and industrial properties
  - Fixed ratio to private?
    - Commercial – 3X, Industrial – 5X
    - Size of lateral
  - Base on EDU?





# 06 Decisions & Next Steps

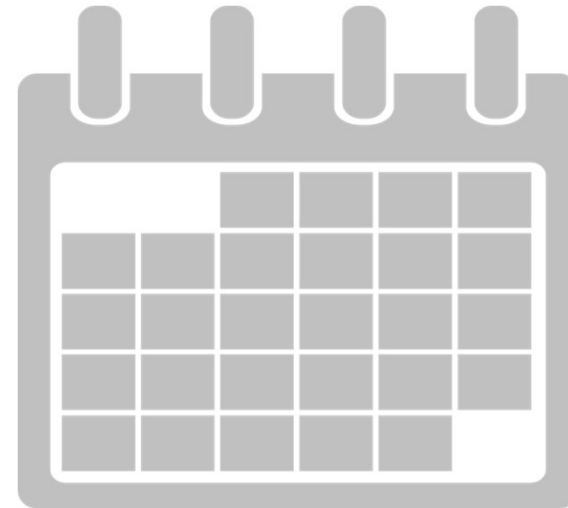
# Decisions

- Text



# Task Force Schedule

- ❑ Policy Working Group – September 24, 2019
  
- ❑ Fiscal Working Group – October 8, 2019
  
- ❑ Meeting No. 4 – October 15, 2019
  - Proposed funding strategy
  - Proposed administrative process for OSDS conversions
  - Project identification and implementation schedule



# Next Steps

- **Collect surveys (OSDS Program Team)**
  
- **Prepare for Task Force Meeting No. 4**
  - Fiscal group – Identify funding availability and sources
  - Policy Group – New OSDS Conversion Process





**Thank You!**



## Appendix G

### Fiscal Working Group Meeting No. 2

# Meeting Minutes

Project:	OSDS Strategic Planning	
Subject:	Task Force – Fiscal Working Group Meeting No. 2	
Date:	Tuesday, October 08, 2019	
Location:	2662 Riva Rd, Ron Bowen Conference Room	
Attendees:	<p>Community Representatives:  Eliot Powell (Whitehall Development)  Jesse Iliff (Arundel Rivers Federation)  Ken Mark (Edgewater Beach)</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)  Ron Brigerman (Department of Public Works)  Chris Phipps (Department of Public Works)  Jim Beauchamp (Budget Office)  Hujia Hasim (Budget Office)</p> <p>Utility Rate Consultant:  David Hyder (Stantec)</p> <p>OSDS Strategic Planning Team:  Ed Shea (HDR)  Jeff Eger (HDR - phone)  Brian Balchunas (HDR)</p>

HDR facilitated the second Fiscal Working Group Meeting of the Septic Task Force on October 8, 2019. The objectives of this meeting were 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 Fiscal Working Group objectives and a recap of Policy Working Group Meeting No. 2.
- b. A separate meeting is needed to refine the deferment eligibility map. Councilwoman Haire indicated that it is not necessary to use a map, and alternatively the eligibility areas could be described in text. Want to have flexibility to fine tune the eligibility areas. **Action Item: DPW to schedule follow-up meeting to review map and refine language to be consistent with map.**

## 2. Probabilistic Willingness to Pay Model

- a. Ed Shea presented preliminary septic survey results for the willingness to pay (WTP) questions. Overall number of responses is close to 1500, which exceeds the minimum considered statistically significant. Between 45-50% of the respondents appear to have been septic system owners.
- b. It was noted that information presented was a preliminary review of the “raw” data, and had not been reviewed by the statistician.
- c. Consideration should be given that some respondents may have answered based on the inclusion of a monthly sewer bill in addition to monthly costs for connecting to the public sewer. For the 50% voting rule, monthly homeowner

cost ranged from \$30 to \$60 depending on the number of management areas offered the incentive. The monthly sewer-only utility rate is approximately \$30-\$35 per month.

- d. Results from non-septic owners were also reviewed as a way to gauge WTP for the general public. About 75% of respondents were willing to pay \$1.50/month.
3. Sewer Connection Cost & Financing Variables
- a. David Hyder presented an updated financial model. Modeled scenarios relied on funding contained solely within the Enterprise Fund. The annual home sales turnover rate was assumed at 2% (lower than recent average rate). Scenarios with and without a 30-year deferment were compared, as well as incentive sizes from \$0 to \$22,000. Brian Balchunas clarified that there is not a financial penalty associated with deferment, by way of additional interest charges.
  - b. Councilwoman Haire asked how a 40-year deferment term would impact monthly cost. The scenario of a \$10,000 incentive with 30-yr deferment was reduced from \$86/mo to \$70/mo, and the lump sum payment was increased from \$30,938.
  - c. The group discussed the idea of revenue neutrality for DPW cash flows. David Hyder offered that an incentive of approximately \$12,500 would strike a balance between revenue and long term debt service costs. Dave Hyder noted that this is possible because the interest rate for the homeowner financing is higher than the County's actual borrowing rate. This is done to account for the risk involved, but it does allow some level of incentive to be neutral over the long term.
  - d. Matt Johnston expressed some concern about the balloon payment and asked if any other septic conversion programs were using balloon payments. The group was not aware of another example. **Action item: DPW to review information from other programs to determine if balloon payments were a program feature.**
  - e. How would the balloon payment be made? It was noted that this could be done as part of a settlement when a house was sold. Under the current process, the Capital Facility Connection Charge and the User Connection Charge are paid off at the property transfer, while the front-foot assessment stays with the property.
  - f. Jim Beacham is curious to see a histogram of homeowners who keep their home after 40 years, proposing that this would be a relatively small percentage. He added that it may take a while for property values to reflect benefits of new public sewer connections. **Action Item: Determine if data is available for analysis.**
  - g. Ken Mark added that people with fixed income would likely defer, while working people may be a mix of defer/non-deferment.
  - h. Eliot Powell suggested that there may be a financing model available that finds the monthly payments from deferment attractive, and this income stream could be capitalized.
  - i. Chris Phipps thinks some consideration should be given to means testing, based on the model results which indicate a lower WTP by lower income septic owners.
  - j. **Action items and issues of discussion:**

- i. DPW will review the financial and WTP models for impacts of means testing.**
  - ii. Evaluate ideas for bringing down or mitigating the impact of the lump sum payment on a potential homeowner.**
- 4. Alternative Funding Sources
  - a. Ed Shea presented a brief summary of alternative funding sources.
    - i. Homeowner funding could come from a Community Development Bank, which may be able to offer funding to a household who might otherwise be unable to obtain a loan related to connecting to the public sewer.
    - ii. County funding sources include FEMA Pre-Disaster grant funding, and WIFIA loans.
    - iii. Environmental Impact Bonds through the Chesapeake Bay Foundation are being provided for a few green infrastructure projects in the region. This model relies on payment that is tied to performance, and may be difficult to implement for a septic conversion program.
  - b. George Heiner mentioned that the timing of grant awards may be difficult to align with the capital project planning cycle. This would have to be addressed during implementation, as well as determining how best to apply the grant towards either the incentive or capital project costs. It was noted that it is probably simpler to use any grants to reduce overall project costs.
  - c. Chris Phipps mentioned that the downside of “Pay for Performance” is that you potentially reward performance for higher nitrogen reduction from converting a certain group of septic tanks instead of trying to get additional reduction by connecting more properties to public sewer.

Advancing **environmental  
stewardship** in Anne Arundel County

**OSDS Strategic Planning**  
Task Force Fiscal Working  
Group Meeting



October 8, 2019



# Septic Task Force Members

Community Representatives	
Jim Doyle	Edgewater Beach Community
<b>Jeff Holland</b>	<b>West/Rhode Riverkeeper</b>
<b>Jesse Iliff</b>	<b>Arundel Rivers Federation</b>
Sally Hornor	AA Community College/Severn River
Lloyd Lewis	Mayo Community
<b>Jerry Pesterfield</b>	<b>Heritage Harbor</b>
<b>Eric Devito</b>	<b>Stone Matteis Xenopoulos &amp; Brew, PC</b>
<b>Eliot Powell</b>	<b>Whitehall Development</b>
Ben Weschler	Linowes and Blocher LLP
Karen McJunkin	Elm Street Development

# Septic Task Force Members

<b>Anne Arundel County Representatives</b>	
<b>Kim Cluney</b>	<b>Department of Public Works – Business and Financial Services</b>
<b>Matthew Johnston</b>	<b>Office of the County Executive – Environmental Policy Director</b>
<b>Jessica Haire</b>	<b>County Councilmember – District 7</b>
<b>Matt Pipkin</b>	<b>Legislative Aide – District 7</b>
<b>George Heiner</b>	<b>Department of Public Works – Engineering</b>
<b>Karen Henry</b>	<b>Department of Public Works – Assistant Director</b>
<b>Albert Herb</b>	<b>Department of Health – Sanitary Engineering</b>
<b>Erik Michelsen</b>	<b>Department of Public Works – Watershed Protection and Restoration</b>
<b>Cindy Carrier</b>	<b>Office of Planning and Zoning – Long Range Planning Division</b>
<b>Chris Murphy</b>	<b>Department of Public Works - Engineering</b>
<b>Chris Phipps</b>	<b>Department of Public Works - Director</b>



**01** Working Group  
Objectives & Schedule

**02** Probabilistic  
Willingness to Pay  
Model

**03** Sewer Connection  
Cost & Financing  
Variables

**04** Alternative Funding  
Sources

**05** Decisions & Next Steps



# 01 Working Group Objectives & Schedule

# Task Force – Fiscal Working Group Objectives

- Review Septic Connection to Public Sewer Costs
- Understand Variables that will Influence Costs
- Current Petition Process and Cost Distribution
- Use Edgewater Beach as “Test Case”
- Advise incentive and subsidy strategies
  - Preliminary survey results and Willingness-to-Pay model update
  - County cost impact
- Evaluate alternative funding sources
  - BRF
  - Grants (FEMA, Foundations, other?)
  - Low Interest Loans
  - Private Financing

# Task Force Schedule

- ❑ **Meeting No. 1 – July 22, 2019**
  - Prioritization of program areas
  - Re-convene Working Groups as necessary (and available)
- ❑ **Meeting No. 2 – August 22, 2019**
  - Incentive / subsidy alternatives
  - DPW draft policy framework
- ❑ **Meeting No. 3 – September 19, 2019**
  - Proposed policy
  - Proposed incentive criteria
- ❑ **Meeting No. 4 – October 17, 2019**
  - Proposed funding
  - Proposed legislation
  - Outline policies and procedures



# Policy Working Group Meeting 2

## Items Related to FWG

### ❑ Deferment eligibility area

- Current code eligibility based on age, disability
- Proposed: OWMPAs, Chesapeake Bay Critical Areas and adjacent properties
- DPW to evaluate financial risk related to extending deferment eligibility

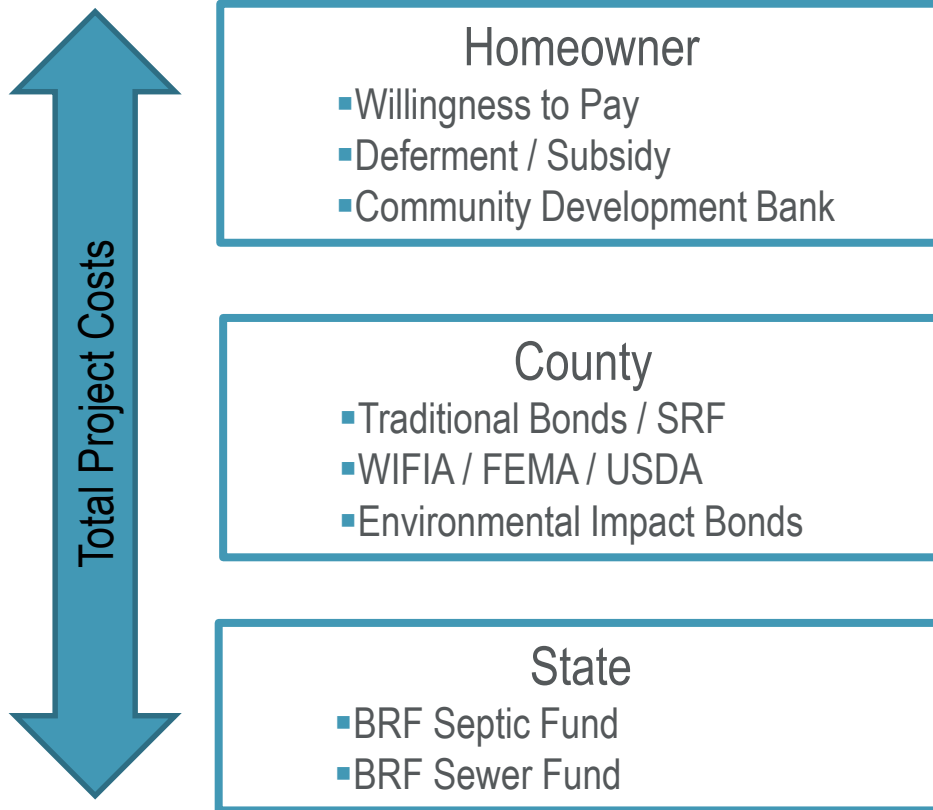
Separate meeting  
needed to refine  
eligibility map

### ❑ Subsidy eligibility area

- Financial modeling currently assumes all project areas receive subsidy & deferment
  - Lowers monthly cost
  - Increases “chance of success”

### ❑ Max 33% subsidy desired to be stated in code – provides guardrail

# Funding Sources





# 02 Probabilistic Willingness to Pay Model

# Willingness to Pay – Septic Survey Question

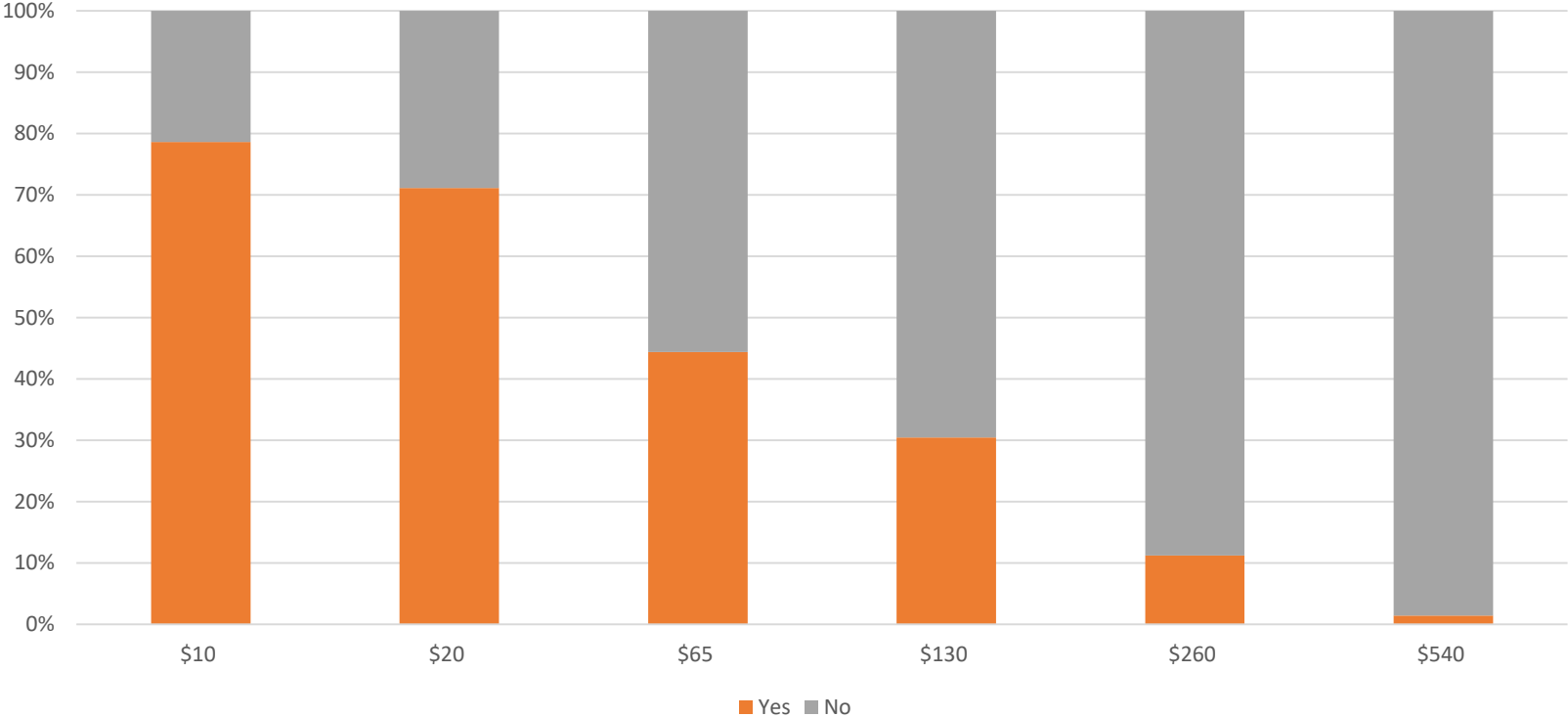
- ❑ In the future, public sewer service may be available in your area. There is a cost to build the infrastructure and connections to make this possible. However, once your home is connected, you don't have to deal with the challenges posed by owning and managing a septic tank. You'll also know that by not having the septic tank, water quality in the area will be safeguarded.
- ❑ What would having your home connected to the public utility be worth to you on a monthly basis?

Consideration that some respondents may answer based on inclusion of monthly sewer bill (average ~\$35)



# Willingness to Pay Summary – Preliminary

Septic Willingness to Pay



# Willingness to Pay – Preliminary Results

## □ Preliminary survey results

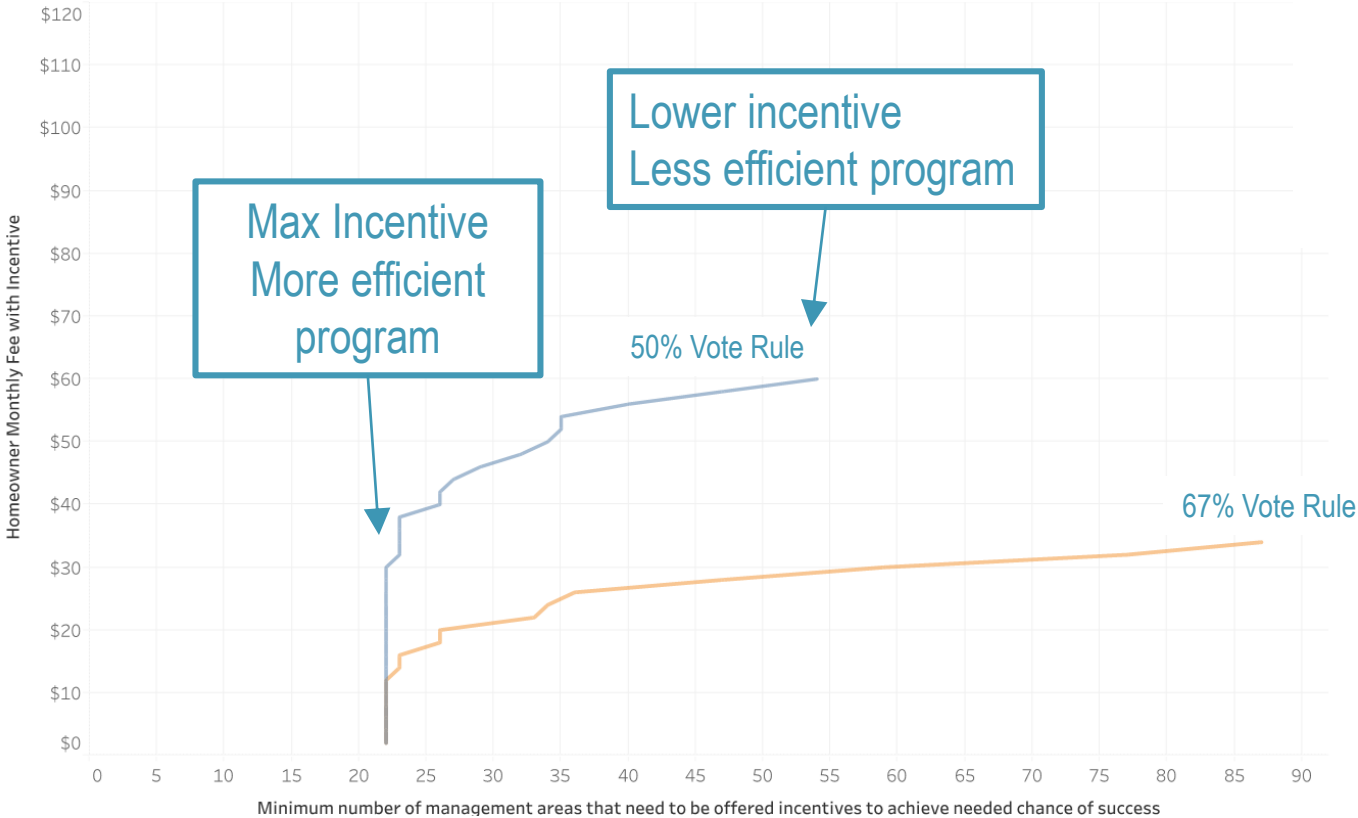
- 621 responses from residents with septic tanks
- 1,377 total responses
- Responses reported overall and with household income range
- Overall preliminary median WTP is \$57/month using conservative approach (final analysis underway)
  - 67% will pay at least \$30

## □ Probabilistic Model

- 3 variables
  - Monthly payment
  - Number of management areas
  - Vote %
- Yes/No votes
  - Projected for particular census block or management area
  - Informed by income or property value data

# Willingness to Pay Summary – Preliminary

## 80% Chance of Success; 53,000 lb/yr TN reduction

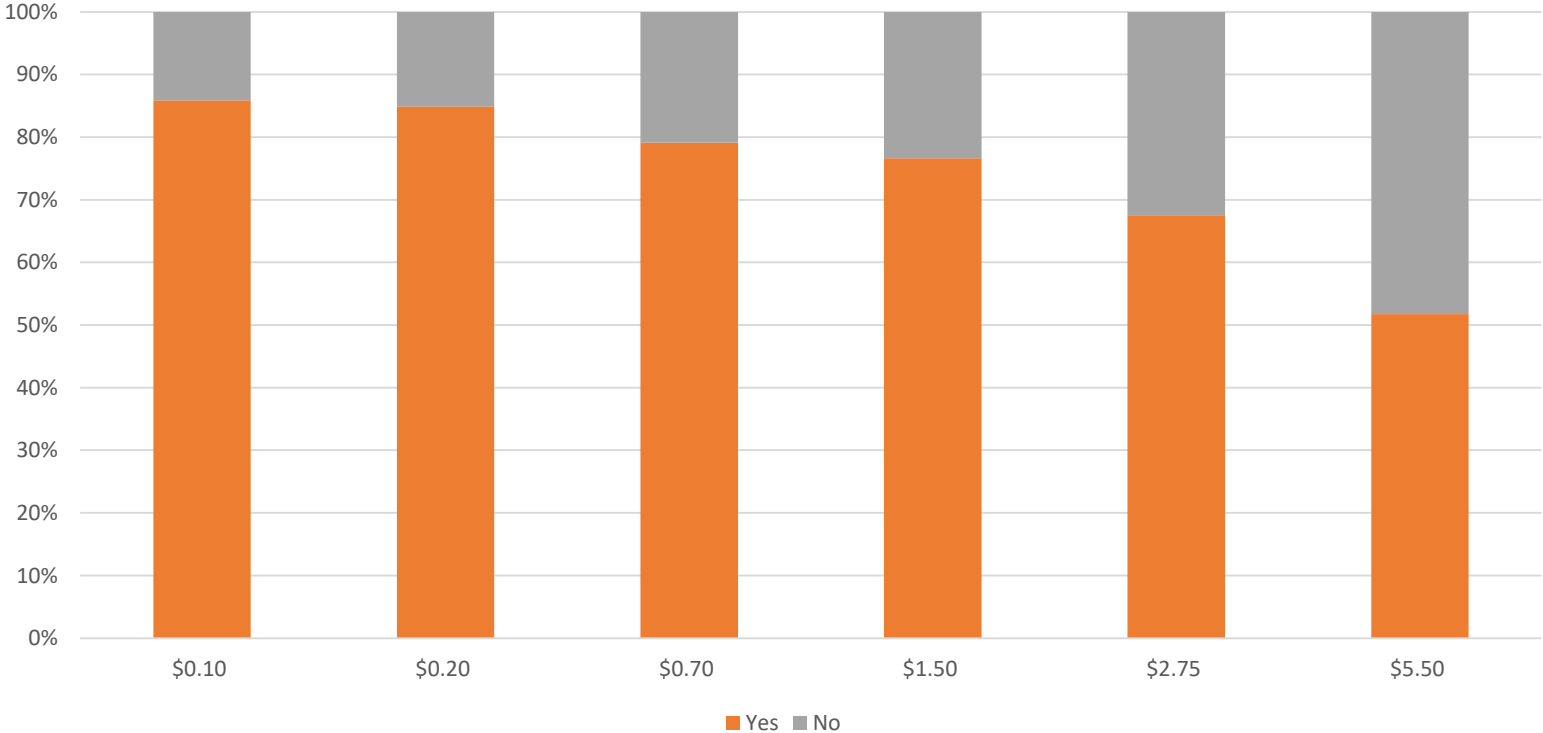


# Willingness to Pay – Septic Survey Question

- If you knew that investing a few cents or dollars each month would ensure that water quality would be protected for all in your community, would you invest that amount?

# Willingness to Pay Summary – Preliminary

Public Willingness to Pay





# 03 Sewer Connection Cost & Financing Variables

# Financial Assumptions

- ❑ 30-year bond term
- ❑ 33% limit on County's share
  - Modeled range of subsidies (\$10k, \$15k, \$22k)
  - \$22,000 based on estimated average cost \$66,000
  - Cost varies by community, as does County's 33% max share
- ❑ Subsidy funding contained within Enterprise Fund
- ❑ Subsidy / deferment eligibility
  - Open to all
  - Assume everyone chooses deferment
- ❑ CFCC and UCC financed
  - Financed at rate 1% higher than County's rate
- ❑ On-site costs financed
  - Up to \$6,400 (ave cost)
- ❑ BRF contribution subtracted from principal
- ❑ Deferment paid off upon property transfer
- ❑ Inflation rate 3%

# Summary

<b>No Deferment</b>	<b>1a</b>	<b>2a</b>	<b>3a</b>	<b>4a</b>
Subsidy	\$0	\$10,000	\$15,000	\$22,000
Homeowner Monthly Bill *	\$216	\$172	\$150	\$119
Lump Sum	-	-	-	-
Ending Cash Balance	\$170M	\$32M	(\$35M)	(\$132M)

<b>With 30 Year Deferment</b>	<b>1b</b>	<b>2b</b>	<b>3b</b>	<b>4b</b>
Subsidy	\$0	\$10,000	\$15,000	\$22,000
Homeowner Monthly Bill *	\$108	\$86	\$75	\$60
Lump Sum	\$38,820	\$30,938	\$26,997	\$21,479
Ending Cash Balance	\$175M	\$35M	(\$33M)	(\$129M)

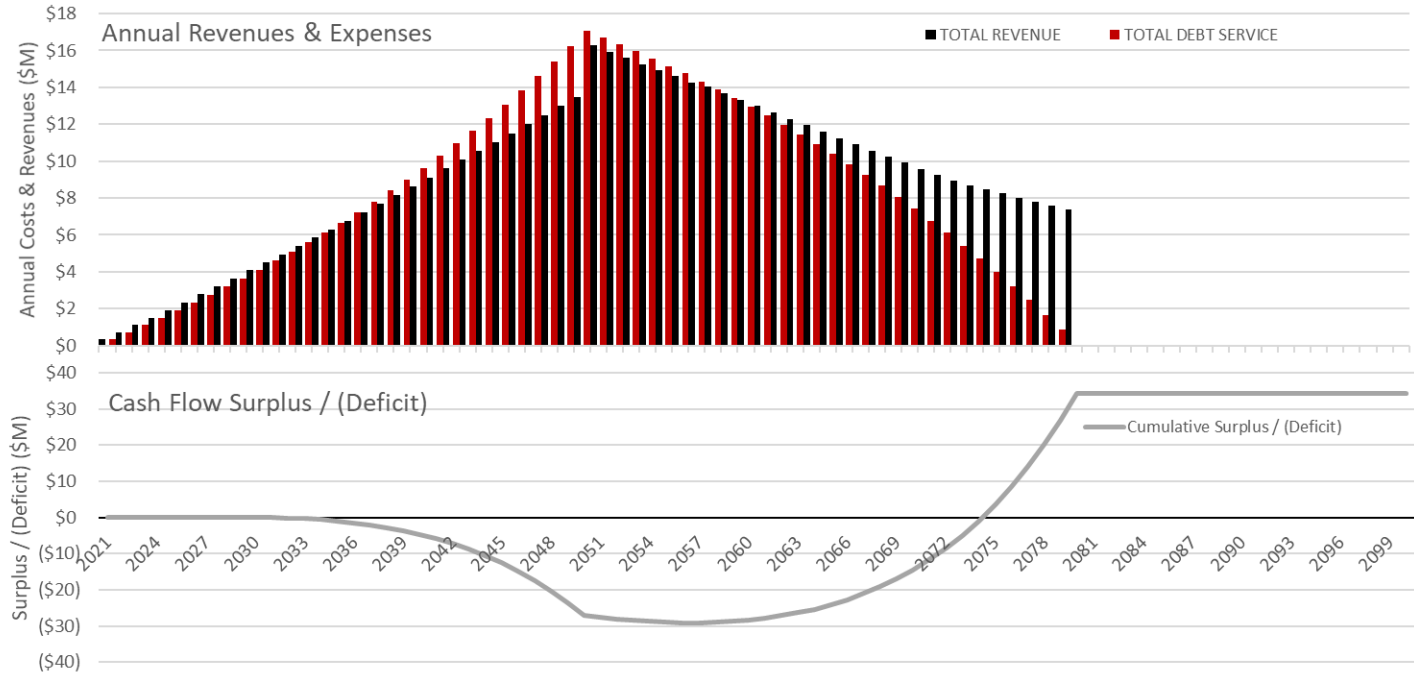
SIMILAR

\*Does not include monthly sewer bill (average ~\$35)



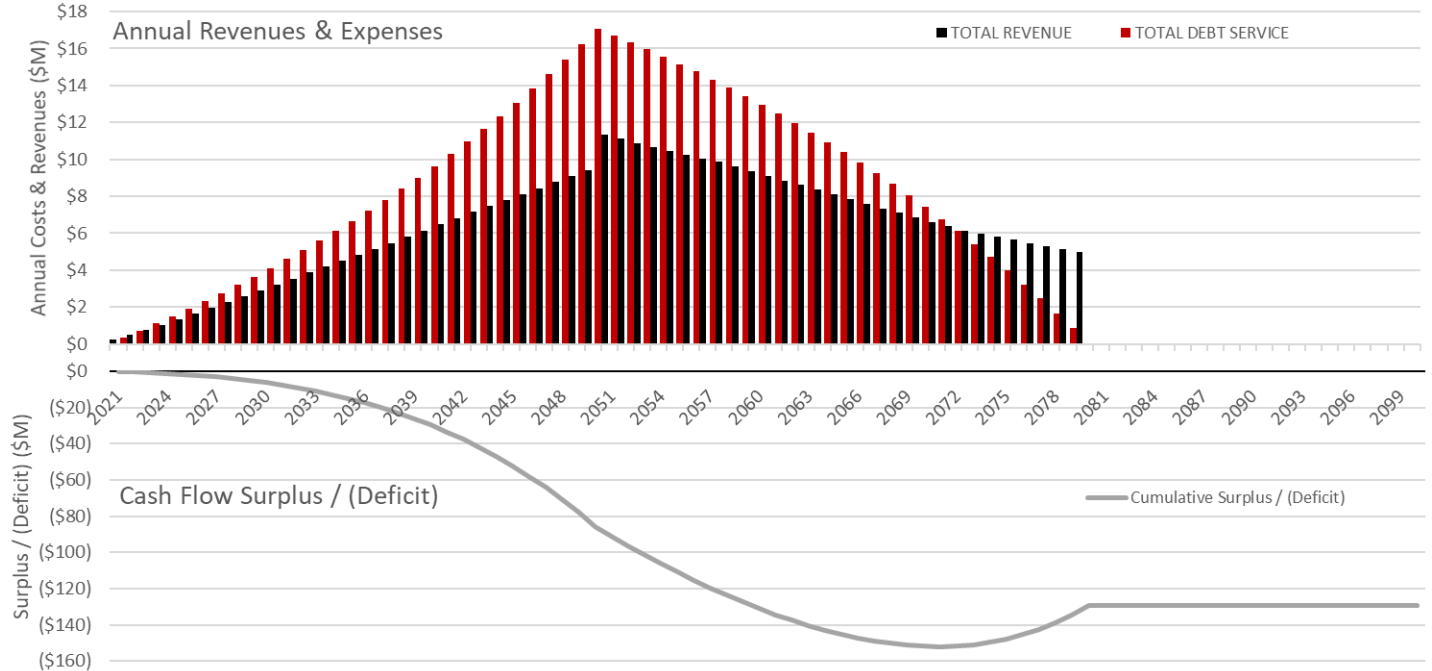
# Scenario 2b - \$10k Subsidy with Deferment

Assumptions	
Subsidy*	\$10,000
Deferment	50%
*Inflated at 3% annually	
Homeowner Monthly Charges	
Front Foot	\$66
CFCC	\$20
<b>Total Monthly</b>	<b>\$86</b>
<b>Lump Sum Payment</b>	<b>\$30,938</b>
County Debt Service Fund Impact	
Min Cash	(\$30M)
Max Cash	\$35M
Ending Cash	\$35M



# Scenario 4b - \$22k Subsidy with Deferment

Assumptions	
Subsidy*	\$22,000
Deferment	50%
*Inflated at 3% annually	
Homeowner Monthly Charges	
Front Foot	\$40
CFCC	\$20
<b>Total Monthly</b>	<b>\$60</b>
<b>Lump Sum Payment</b>	<b>\$21,479</b>
County Debt Service Fund Impact	
Min Cash	(\$170M)
Max Cash	\$0M
Ending Cash	(\$129M)





# 04 Alternative Funding Sources

# Alternative Funding Sources

## Homeowner

- Community Development Bank / Community Development Financial Institutions
  - Serve low to moderate income communities
  - 14 chartered CDFIs in Maryland

# Alternative Funding Sources

## County

### □ FEMA

- Pre-Disaster Funding: “BRIC”
- Highly competitive
- Community based, resilient infrastructure projects w/ Federal cost share cap of \$10M
- Mitigation needs must be integrated into overall state/county Hazard Mitigation planning

### □ Water Infrastructure Finance and Innovation Act (WIFIA)

- Federal credit program administered by EPA
- Same eligibility as for Clean Water State Revolving Fund (SRF)
- Can be applied to property acquisition, planning & engineering, capitalized interest
- \$20M minimum project size; WIFIA funds up to 49%
- 35 years max maturity date from substantial completion
- Interest rate aligned with Treasury rates

# Alternative Funding Sources

## County

- Environmental Impact Bond through Chesapeake Bay Foundation
  - New, “Pay for Success” model – City pays back more if performance exceeds goal
  - Requires shovel ready, Green Infrastructure projects
  - Capital Firm: Quantified Ventures – GI projects in Hampton, Baltimore, DC



# 05 Decisions & Next Steps

# Decisions



# Next Steps

- Process final WTP survey results
  - Update County's cost impact
  - Recommend incentive size
- Revise proposed code language regarding subsidy and deferment eligibility
  - Determine “project area” description for prioritized areas
  - Define deferment eligibility areas

## Appendix H

### Task Force Meeting No. 4

# Meeting Minutes

Project:	OSDS Strategic Planning	
Subject:	Task Force Meeting No. 4	
Date:	Thursday, October 17, 2019	
Location:	2664 Riva Rd, Independence Conference Room	
Attendees:	<p>Community Representatives:            Jeff Holland (West/Rhode Riverkeeper)            Lloyd Lewis (Mayo)            Ken Mark (Edgewater Beach Community President)</p>	<p>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 Carrier (Office of Planning and Zoning)</p> <p>OSDS Strategic Planning Team:            Jeff Eger (HDR)            Brian Balchunas (HDR)            Joe Sowinski (HDR)            Carita Parks (HDR)            Ziwei He (HDR)</p>

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 deferral/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 septic systems 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 2<sup>nd</sup> 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 2<sup>nd</sup> 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. 4<sup>th</sup> and the working session of County Council will be on Nov. 12<sup>th</sup>.**

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

*Advancing **environmental**  
stewardship in Anne Arundel County*

# **OSDS Strategic Planning**

## Task Force Meeting No. 4



October 17, 2019





# Septic Task Force Members

## Community Representatives

Jim Doyle	Edgewater Beach Community
Jeff Holland	West/Rhode Riverkeeper
Jesse Iliff	Arundel Rivers Federation
Sally Hornor	AA Community College/Severn River
Lloyd Lewis	Mayo Community
Jerry Pesterfield	Heritage Harbor
Eric Devito	Stone Matteis Xenopoulos & Brew, PC
Eliot Powell	Whitehall Development
Ben Wechsler	Linowes and Blocher LLP
Karen McJunkin	Elm Street Development

# County Representatives

## Anne Arundel County Representatives

Kim Cluney	Department of Public Works – Business and Financial Services
Matthew Johnston	Office of the County Executive – Environmental Policy Director
Jessica Haire	County Councilmember
George Heiner	Department of Public Works – Engineering
Karen Henry	Department of Public Works – Assistant Director
Albert Herb	Department of Health – Sanitary Engineering
Erik Michelsen	Department of Public Works – Watershed Protection and Restoration
Cindy Carrier	Office of Planning and Zoning – Long Range Planning Division
Chris Murphy	Department of Public Works - Engineering
Chris Phipps	Department of Public Works - Director

- 01 Task Force Schedule & Meeting Objectives**
- 02 Customer Survey Highlights**
- 03 Fiscal Working Group Update and WTP Results**
- 04 Policy Working Group Update / Draft Legislation**

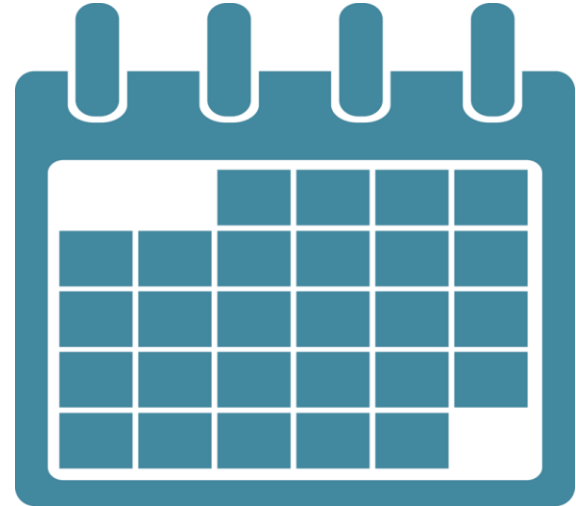
- 05 Outline of Policies & Procedures**
- 06 Decisions & Next Steps**



# 01 Task Force Schedule & Meeting Objectives

# Task Force Schedule

- ❑ **Meeting No. 1 – July 22, 2019**
  - Prioritization of program areas
  - Re-convene Working Groups as necessary (and available)
- ❑ **Meeting No. 2 – August 22, 2019**
  - Incentive / subsidy alternatives
  - DPW draft policy framework
- ❑ **Meeting No. 3 – September 19, 2019**
  - Proposed policy
  - Proposed incentive criteria
- ❑ **Meeting No. 4 – October 17, 2019**
  - Proposed funding
  - Proposed legislation
  - Outline policies and procedures



# Meeting Objectives

**Overall objective:** obtain feedback on draft legislation

- ❑ Discuss survey results
- ❑ Discuss County funding impact
- ❑ Discuss proposed legislation



# 02 Customer Survey Highlights

# SURVEY HIGHLIGHTS

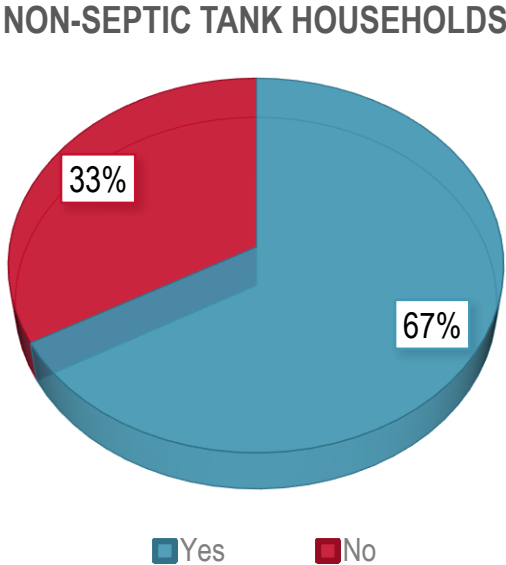
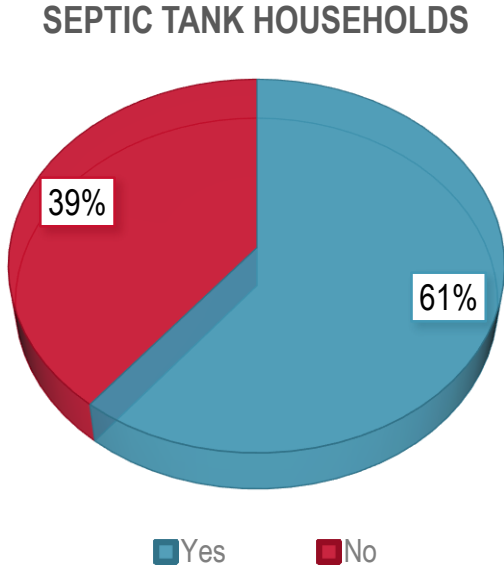
## Overview

- Distribution
  - Approximately 6,200 surveys mailed
  - Septic tank households in five septic areas
  - Random distribution to other county residents
  
- Surveys Received
  - Over 1,300 responses; exceeded goal of 1,200 needed
  - 80-120 surveys collected from each management area; exceeded goal of 70-80 per area



# SURVEY HIGHLIGHTS

Do you worry that your ability to receive safe, clean water will be affected by drought, climate change, or water quality conditions?

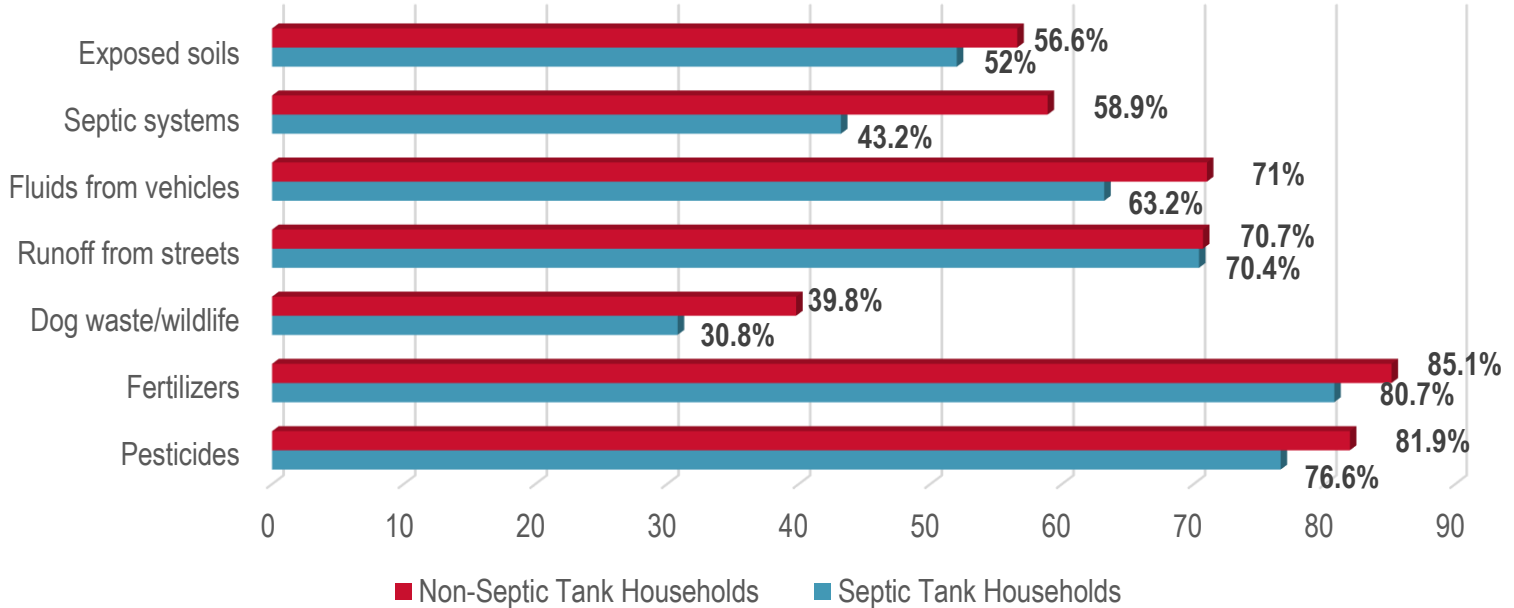


By percentage of respondents (excluding "not provided")

Source: ETC Institute (Anne Arundel Co. Water Quality Survey)

# SURVEY HIGHLIGHTS

## How possible pollution sources affect water quality in the local area

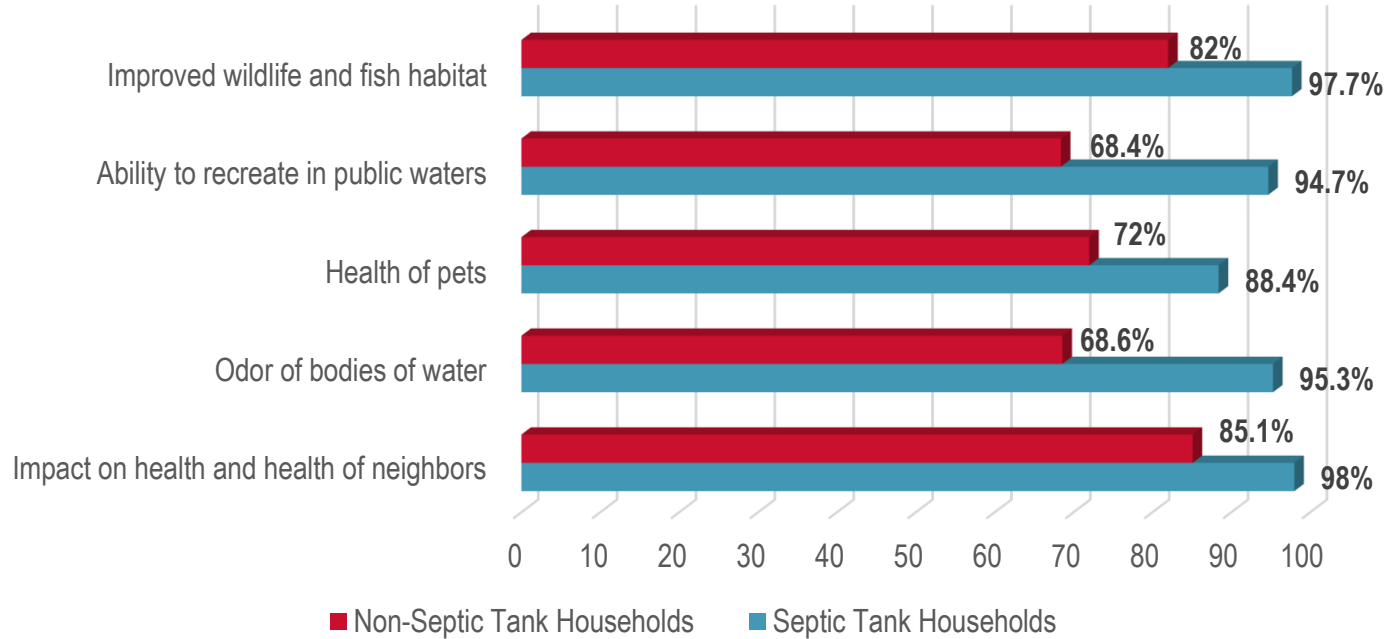


By percentage of respondents who believe it has a "major effect" on water quality (excluding "don't know")

Source: ETC Institute (Anne Arundel Co. Water Quality Survey)

# SURVEY HIGHLIGHTS

## How motivating each of the following factors are to improve water quality in Anne Arundel County



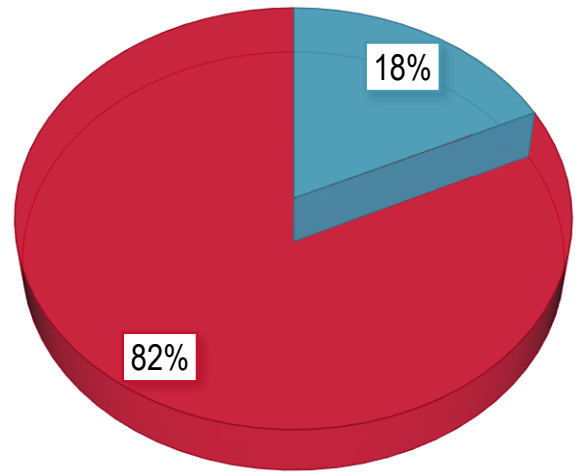
By percentage of respondents who answered "yes" to the question (excluding "don't know")

Source: ETC Institute (Anne Arundel Co. Water Quality Survey)

# SURVEY HIGHLIGHTS

Are you concerned that your septic tank is affecting water quality in your area?

SEPTIC TANK HOUSEHOLDS



■ Yes    ■ No

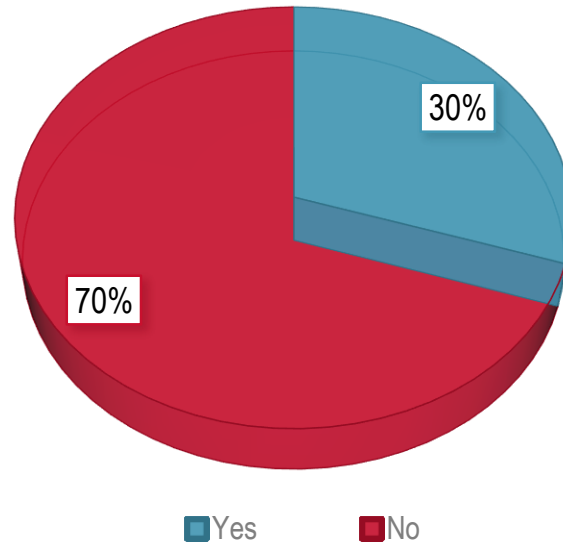
*By percentage of respondents who have a septic tank in their household (excluding "don't know")*

Source: ETC Institute (Anne Arundel Co. Water Quality Survey)

# SURVEY HIGHLIGHTS

Are you concerned that your neighbor's septic tank is affecting water quality in your area?

SEPTIC TANK HOUSEHOLDS



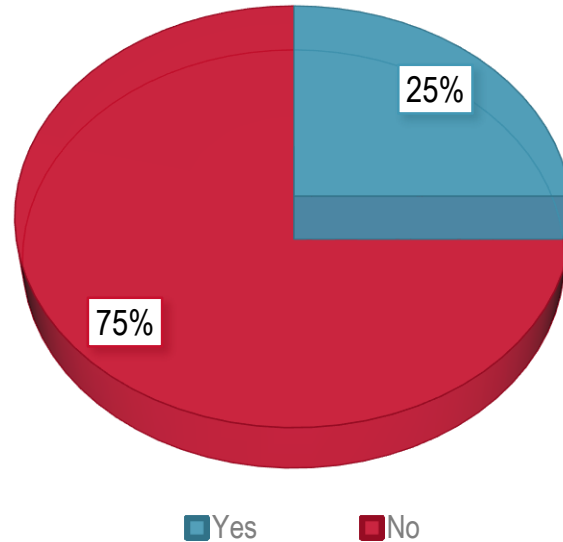
*By percentage of respondents who have a septic tank in their household (excluding "don't know")*

Source: ETC Institute (Anne Arundel Co. Water Quality Survey)

# SURVEY HIGHLIGHTS

Are you concerned that sea-level rise will inhibit the performance of your septic tank?

SEPTIC TANK HOUSEHOLDS



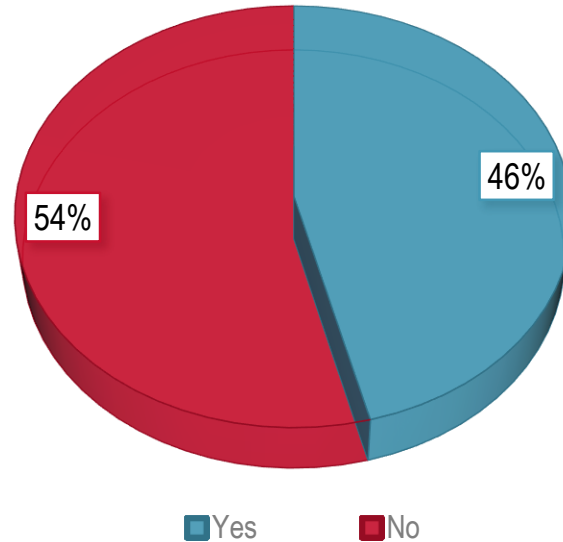
*By percentage of respondents who have a septic tank in their household (excluding "don't know")*

Source: ETC Institute (Anne Arundel Co. Water Quality Survey)

# SURVEY RESULTS

Does having a septic tank limit your ability to improve structures on your property?

SEPTIC TANK HOUSEHOLDS



*By percentage of respondents who have a septic tank in their household (excluding "don't know")*

Source: ETC Institute (Anne Arundel Co. Water Quality Survey)

# SURVEY HIGHLIGHTS

## Willingness to Pay

- Participants are willing to invest to some extent in public sewer.
- WTP models averaged by HDR (to be discussed in fiscal section).



# BRIEF CONCLUSIONS

- People care about water quality and the environment.
- Public health is the top motivating factor for improving water quality.
- Participants are willing to invest to some extent in public sewer.
- **Septic homeowners motivated for water quality improvement but don't think septics are a contributor**
- There is a gap in recognizing personal responsibility in improving the environment and water quality.
- An effective public outreach and education campaign will move our target audiences from awareness of the issue to action (willingness to pay).

# NEXT STEPS

- Further analyze survey results (comparison of different septic areas, etc).
- Provide County with final survey report.
- Finalize OSDS program branding and develop public outreach and education campaign.
- Create a webpage with introductory information about program.
- Develop and implement public outreach and education campaign.



# 03 Fiscal Working Group Update and WTP Results

# Willingness to Pay – Septic Survey Question

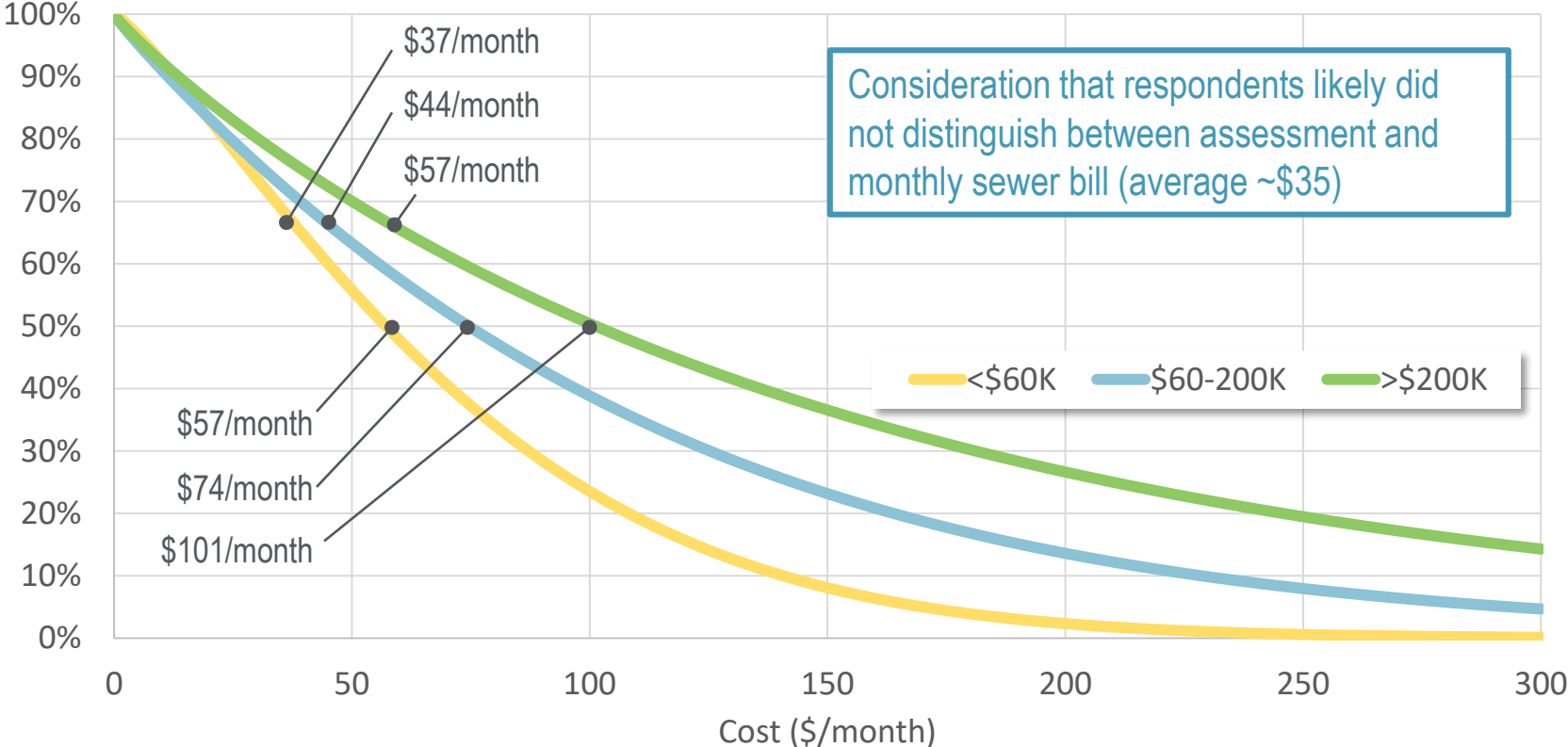
- ❑ In the future, public sewer service may be available in your area. There is a cost to build the infrastructure and connections to make this possible. However, once your home is connected, you don't have to deal with the challenges posed by owning and managing a septic tank. You'll also know that by not having the septic tank, water quality in the area will be safeguarded.
- ❑ What would having your home connected to the public utility be worth to you on a monthly basis?

Consideration that respondents likely do not distinguish between assessment and monthly sewer bill (average ~\$35)

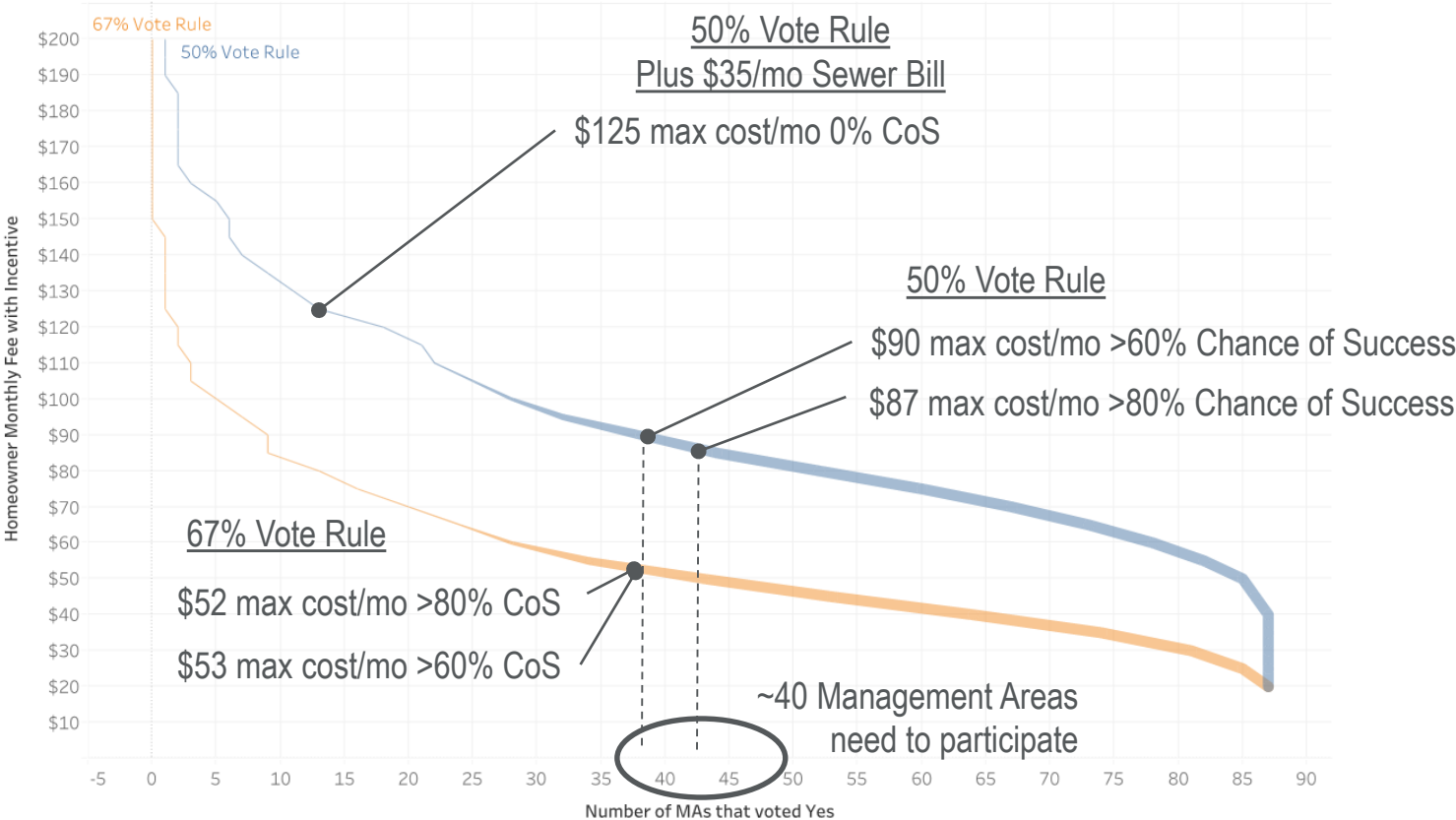
# Probabilistic WTP Model Assumptions

- **Two competing WTP models averaged**
  - Like “ensemble prediction” using multiple weather forecasting models
  - \$72.50/mo overall median
  - +\$5 adjustment to account for lower WTP by respondents outside of proposed management areas

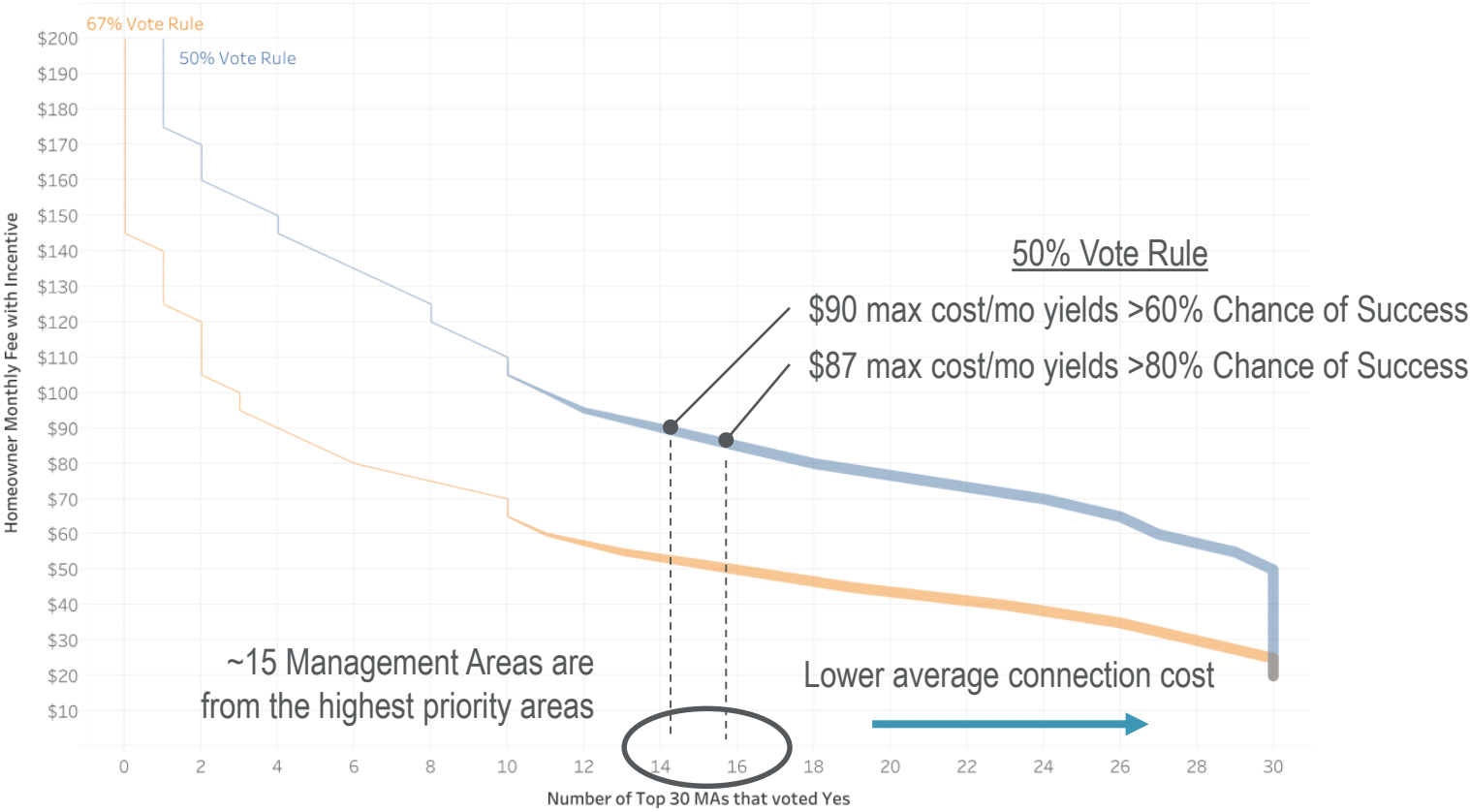
# Willingness to Pay Results



# Willingness to Pay Summary - Overall



# Willingness to Pay Summary – Top 30 Management Areas





# Willingness to Pay – Septic Survey Question

- If you knew that investing a few cents or dollars each month would ensure that water quality would be protected for all in your community, would you invest that amount?

Respondents without Septic Tanks		
Category	Annual Household Income	Median WTP
Overall	-	\$3.86
Low Income	< \$60,000	\$1.98
Medium Income	\$60,000 to \$200,000	\$4.70
High Income	> \$200,000	\$8.24
Notes: Median Willingness to Pay estimates are an average of results from Probability Plot method and Mean Least Squares method.		

# Financial Assumptions – County's Cost Impact

- ❑ 30-year bond term
  - ❑ Allow 40-year payback
- ❑ 33% limit on County's share
  - Modeled range of subsidies (\$10k, \$12.5k, \$15k, \$22k)
  - \$22,000 based on estimated average cost \$66,000
  - Cost varies by community, as does County's 33% max share
- ❑ Subsidy funding contained within Enterprise Fund
- ❑ Subsidy / deferment eligibility
  - Open to all
  - Assume everyone chooses deferment
- ❑ CFCC and UCC financed
  - Financed at rate 1% higher than County's rate
- ❑ On-site costs financed
  - Up to \$6,400 (ave cost)
- ❑ BRF contribution subtracted from principal
- ❑ Deferment paid off upon property transfer
- ❑ Consider 5-years to pay off lump sum rather than full lump sum at end
- ❑ Inflation rate 3%

# Summary – 30 years

No Deferment	1a	2a	3a	4a	5a
Subsidy	\$0	\$10,000	\$12,500	\$15,000	\$22,000
Homeowner Monthly Bill	\$216	\$172	\$161	\$150	\$119
Lump Sum	-	-	-	-	-
Ending Cash Balance	\$170M	\$32M	\$2M	(\$35M)	(\$132M)

With 30 Year Deferment	1b	2b	3b	4b	5b
Subsidy	\$0	\$10,000	\$12,500	\$15,000	\$22,000
Homeowner Monthly Bill	\$108	\$86	\$80	\$75	\$60
Lump Sum*	\$38,820	\$30,938	\$29,933	\$26,997	\$21,479
Ending Cash Balance	\$175M	\$35M	\$0M	(\$33M)	(\$129M)

\*Annual lump sum payment can be amortized over five years with minimal impact to County finances

# Summary – 30 years

No Deferment	1a	2a	3a	4a	5a
Subsidy	\$0	\$10,000	\$12,500	\$15,000	\$22,000
Homeowner Monthly Bill	\$216	\$172	\$161	\$150	\$119
Lump Sum	-	-	-	-	-
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\*Annual lump sum payment can be amortized over five years with minimal impact to County finances

**\$5K subsidy reduces  
monthly cost by \$11/month**

# Summary – 40 Years

With 40 Year Deferment	1d	2d	4d	5d
Subsidy	\$0	\$10,000	\$15,000	\$22,000
Homeowner Monthly Bill	\$91	\$73	\$64	\$51
Lump Sum	\$44,988	\$35,853	\$31,286	\$24,891
Ending Cash Balance	\$230M	\$82M	\$8M	(\$95M)

Note: While deferment is for 40 years, modeling assumes 30-year debt (SRF loan maximum term is 30 years)

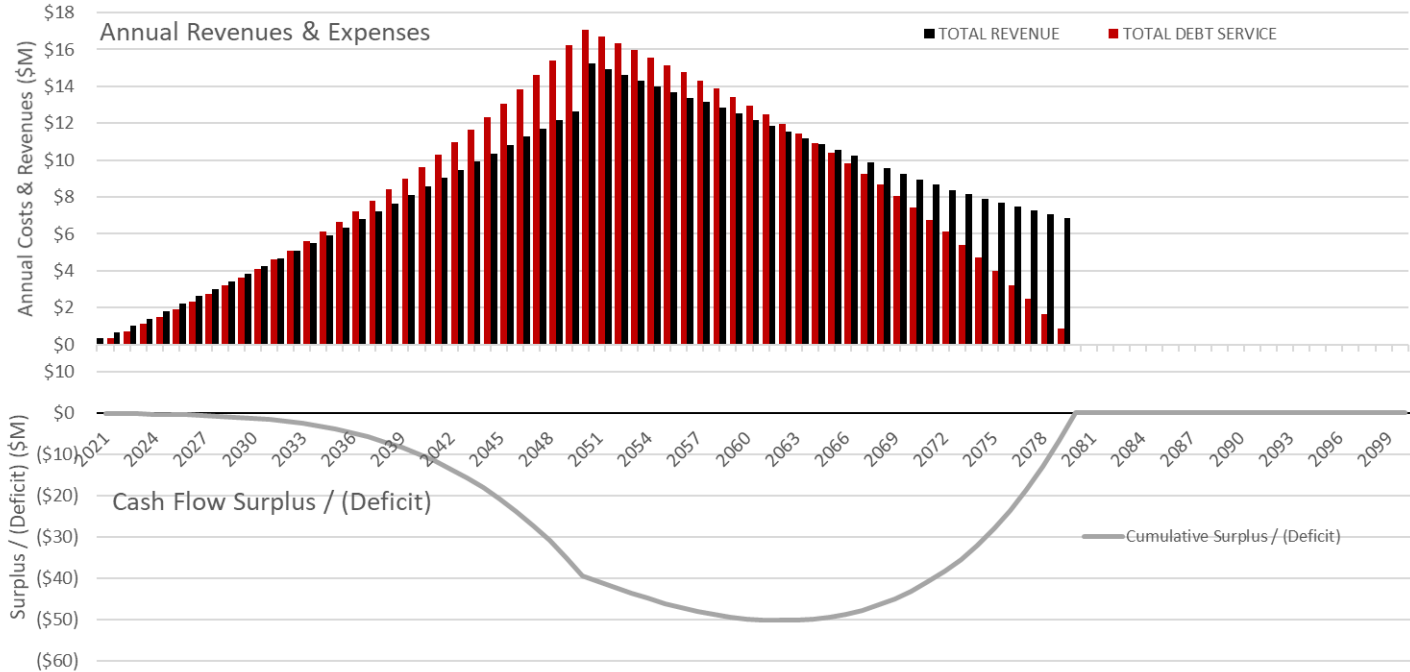
# Summary – 40 Years

With 40 Year Deferment	1d	2d	4d	5d
Subsidy	\$0	\$10,000	\$15,000	\$22,000
Homeowner Monthly Bill	\$91	<b>\$73</b>	<b>\$64</b>	<b>\$51</b>
Lump Sum	\$44,988	\$35,853	\$31,286	\$24,891
Ending Cash Balance	\$230M	\$82M	\$8M	(\$95M)

Note: While deferment is for 40 years, modeling assumes 30-year debt (SRF loan maximum term is 30 years)

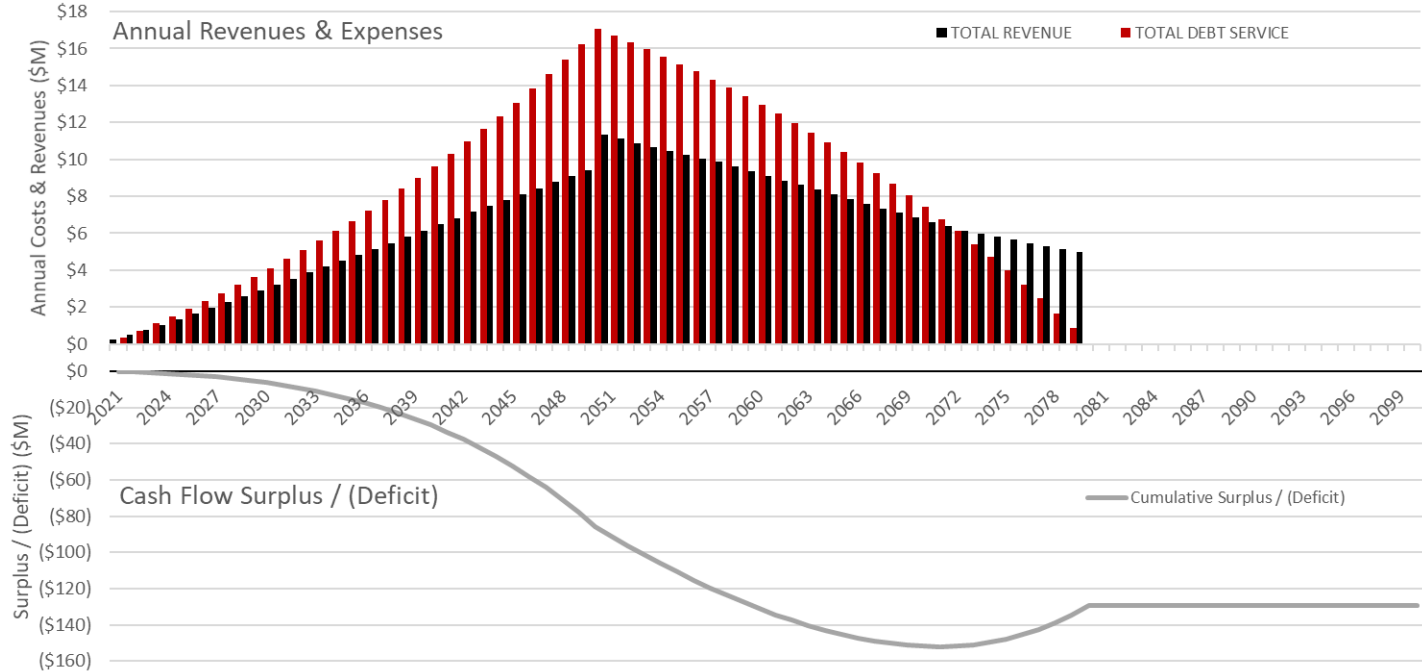
# Scenario 3b – \$12.5k Subsidy with 30 Year Deferment

Assumptions	
Subsidy	\$12,500
Deferment	50%
Homeowner Charges	
Front Foot	\$60
CFCC	\$20
<b>Total Monthly</b>	<b>\$80</b>
<b>Lump Sum Payment</b>	<b>\$29,933</b>
County Debt Service Fund Impact	
Min Cash	(\$50M)
Max Cash	\$0M
Ending Cash	\$0M



# Scenario 5b - \$22k Subsidy with 30 Year Deferment

Assumptions	
Subsidy*	\$22,000
Deferment	50%
*Inflated at 3% annually	
Homeowner Monthly Charges	
Front Foot	\$40
CFCC	\$20
<b>Total Monthly</b>	<b>\$60</b>
<b>Lump Sum Payment</b>	<b>\$21,479</b>
County Debt Service Fund Impact	
Min Cash	(\$170M)
Max Cash	\$0M
Ending Cash	(\$129M)





# Fiscal Strategy Concerns and Consideration

- ❑ County Debt Service Fund Impact
- ❑ Deferment Approach for Low Income
- ❑ Subsidy Approach for High Income

## **II. Income Based Grant Eligibility**

Grant assistance should be based on the following Income Criteria:

	<u>% Eligibility Up To</u>
Homeowners (may include homes under a housing cooperative)	
1. Household income* less than or equal to \$300,000/year	100%
2. Household income* more than \$300,000/year	50%
Non-profit Entities	100%
Small Businesses	75%
For-profit Businesses	50%

\* For income, use federal tax return (line for Total income)

# Option Comparison

Category	A: Revenue Neutral	B: High Incentive, 40 Year	C: Mid-Point
Deferment	50%	50%	50%
Subsidy	\$12,500	\$22,000	\$15,000
Deferment Term	30 years	40 years	40 years
Monthly Cost*	\$115	\$86	\$99
Lump Sum Payoff**	\$30 K	\$25 K	\$31 K
Debt Minimum Cash	(\$50 M)	(\$180 M)	(\$114 M)
Debt Ending Cash	\$0 M	(\$95 M)	\$8 M

\* Includes \$35/month wastewater charge

\*\* Could be paid over 5 years with minimal impact to cash flow

# Adaptive Management

- **Re-evaluate subsidy as program is implemented**
  
- **Future options to improve program success**
  - General fund contribution
  - Collection and conveyance alternatives
  - Value engineering County standards
  - Alternative financing/grants/loans
  - Others?



# 04 Policy Working Group Update / Draft Legislation

# Original Policy Framework

## ❑ Open Application Process

- Allows for DPW and County flexibility on implementation
- Open to all properties that meet the specific criteria
- Specific criteria regarding eligibility
- Open and transparent

## ❑ Policy

- Outside of existing petition process
- Incentives will be developed based on willingness to pay
- County's funding source (Utility vs. General Fund) has implications for program stability
- Assessments based on EDU, not front foot

## ❑ Existing Petition Process will Remain

- Include deferment for Onsite Wastewater Management Problem Areas, Chesapeake Bay Critical Areas, adjacent properties

# Proposed Legislation - Deferment

(A) Definitions. IN THIS SECTION, THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(1) “CRITICAL AREA” HAS THE MEANING STATED IN §18-1-101 OF THIS CODE.

(2) “ON-SITE WASTEWATER MANAGEMENT PROBLEM AREA” MEANS AN AREA DETERMINED TO BE A WASTEWATER MANAGEMENT PROBLEM AREA IN THE COUNTY’S MASTER PLAN FOR WATER SUPPLY AND SEWERAGE SYSTEMS, AS ADOPTED BY THE COUNTY COUNCIL.

(B) Partial deferral. THE OWNER OF A RESIDENTIAL PROPERTY WITH EXISTING IMPROVEMENTS LOCATED IN THE CRITICAL AREA, AN ON-SITE WASTEWATER MANAGEMENT PROBLEM AREA, AN AREA DESIGNATED IN THE COUNTY’S MASTER PLAN FOR WATER SUPPLY AND SEWERAGE SYSTEMS AS A SEPTIC TO SEWER CONVERSION AREA, OR IN AN AREA ADJACENT TO ONE OF THESE AREAS MAY CHOOSE TO DEFER PAYMENT OF UP TO 50% OF THE CHARGES IMPOSED FOR CONNECTION TO A WASTEWATER EXTENSION INITIATED IN ACCORDANCE WITH §§ 13-5-302 OR 13-5-303 UNTIL THE EARLIER OF A SALE OR TRANSFER OF THE PROPERTY OR THE BOND MATURITY DATE, AT WHICH TIME THE REMAINING 50% OF THE CHARGES BECOME DUE AND PAYABLE BY THE PROPERTY OWNER.

(C) Lien enforcement. ANY CHARGES DEFERRED UNDER SUBSECTION (B) SHALL BE A LIEN ON

# Proposed Legislation – Deferral (continued)

(C) Lien enforcement. ANY CHARGES DEFERRED UNDER SUBSECTION (B) SHALL BE A LIEN ON THE PROPERTY, SUBORDINATE ONLY TO THE LIEN OF STATE AND COUNTY TAXES AND SPECIAL BENEFIT ASSESSMENTS, AND PAYMENT SHALL BE ENFORCED AT THE SAME TIME AND IN THE SAME MANNER AS SUCH TAXES AND ASSESSMENTS. UPON TITLE TRANSFER BY DEED, EXCEPT WHEN AT LEAST ONE RECORD OWNER REMAINS THE SAME EITHER INDIVIDUALLY OR AS A TRUSTEE, THE UNPAID BALANCE SHALL BECOME IMMEDIATELY DUE AND PAYABLE.

# Proposed Legislation – Subsidy

(A) Definitions. IN THIS SECTION, THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

- (1) “CRITICAL AREA” HAS THE MEANING STATED IN §18-1-101 OF THIS CODE.
- (2) “ON-SITE WASTEWATER MANAGEMENT PROBLEM AREA” MEANS AN AREA DETERMINED TO BE A WASTEWATER MANAGEMENT PROBLEM AREA IN THE COUNTY’S MASTER PLAN FOR WATER SUPPLY AND SEWAGE SYSTEMS, AS ADOPTED BY THE COUNTY COUNCIL.

(B) SUBSIDY. THE DIRECTOR MAY OFFER TO SUBSIDIZE THE CHARGES IMPOSED IN CONNECTING TO A WASTEWATER SYSTEM, NOT TO EXCEED **25% OF THE TOTAL PROJECT COST**, FOR A WASTEWATER EXTENSION LOCATED IN:

- (I) THE CRITICAL AREA;
- (II) AN ON-SITE WASTEWATER MANAGEMENT PROBLEM AREA;
- (III) AN AREA DESIGNATED IN THE COUNTY’S MASTER PLAN FOR WATER SUPPLY AND SEWAGE SYSTEMS AS A SEPTIC TO SEWER CONVERSION AREA; OR
- (IV) AN AREA ADJACENT TO ONE OF THE ABOVE AREAS.



# Proposed Legislation – Subsidy (continued)

(C) CRITERIA. IN DETERMINING WHETHER TO OFFER A SUBSIDY, THE DIRECTOR SHALL CONSIDER:

- (I) THE PROXIMITY OF THE EXTENSION TO EXISTING WASTEWATER INFRASTRUCTURE;
- (II) THE ENVIRONMENTAL BENEFITS OF THE EXTENSION;
- (III) ENGINEERING CONCERNS;
- (IV) THE AVAILABILITY OF FUNDS FOR A SUBSIDY; AND
- (V) FEDERAL OR STATE AID.

# Proposed Legislation – 40-Year Bond

(a) All bonds shall be payable under an annual installment plan which shall commence payments not more than two years from the date of issue. The annual installment plan may be implemented by the issuance of serial maturity bonds or term bonds having mandatory sinking fund requirements. All bonds shall be made payable within the probable useful life of the improvement or undertaking with respect to which they are to be issued, or, if the bonds are to be issued for several improvements or undertakings, then within the average probable useful life of all such improvements or undertakings. In the case of a bond issue for several improvements or undertakings having different probable useful lives, the County Council shall determine the average of said lives, taking into consideration the amount of bonds to be issued on account of each such improvement or undertaking, and the period so determined shall be the average period of useful life. The determination of the County Council as to the probable useful life of any such improvement or undertaking shall be conclusive. No bonds shall mature and be payable more than thirty years after their date of issuance, except THAT bonds issued [[under the authority of the Sanitary Commission Act]] FOR THE PURPOSE OF EXTENDING WATER AND WASTEWATER SYSTEMS MAY MATURE AND BE PAYABLE NO MORE THAN FORTY YEARS AFTER THEIR DATE OF ISSUANCE.



**05**

## **Outline of Policies & Procedures**

# Open Issues/Discussion: Does County have policy leeway to:

- Develop application process?
- Initiate outreach?
- Change areas to better suit sound engineering?
- Develop and promote simplified cost approach?
- Develop and promote simplified voting procedures (i.e. not require revote for minimal overruns)?
- Flexible program cycle?
- Develop map for eligible areas?

# Policies & Procedures

## ❑ Implementation Approach

- Approach for growth
- Policy for existing BATs
- Onsite work
- Meet with MDE to optimize use of Septic and Sewer BRF programs, SRF
- Identify other funding sources
- CIP programming/budgeting
- Project delivery and contract packaging



# 06 Decisions & Next Steps

# Task Force Schedule – Additional Meetings

- ❑ Fiscal
- ❑ Policy
- ❑ Full Task Force

# Decisions

- Text



# Next Steps

- x

**Thank You!**

Appendix I

Task Force Meeting No. 5

# Meeting Minutes

Project:	OSDS Strategic Planning	
Subject:	Task Force Meeting No. 5	
Date:	Tuesday, January 21, 2020	
Location:	2664 Riva Rd, Independence Conference Room	
Attendees:	<p>Community Representatives:</p> <p>Lloyd Lewis (Mayo)</p> <p>Jerry Pesterfield (Heritage Harbor)</p> <p>Sally Hornor (AA Community College/Severn River)</p> <p>Eliot Powell (Whitehall Development)</p>	<p>Anne Arundel County Representative:</p> <p>Jessica Haire (County Council)</p> <p>Matt Pipkin (County Council – Jessica Haire)</p> <p>Matthew Johnston (Office of the County Executive)</p> <p>George Heiner (Department of Public Works)</p> <p>Ed Peters (Department of Health)</p> <p>Albert Herb (Department of Health)</p> <p>Chris Phipps (Department of Public Works)</p> <p>Chris Murphy (Department of Public Works)</p> <p>Kim Cluney (Department of Public Works)</p> <p>Karen Henry (Department of Public Works)</p> <p>Cindy Carrier (Office of Planning and Zoning)</p> <p>Darlene Flynn (Budget Office)</p> <p>OSDS Strategic Planning Team:</p> <p>Ed Shea (HDR)</p> <p>Carita Parks (HDR)</p>

HDR facilitated the fourth Septic Task Force meeting on January 21, 2020. The objectives of this meeting were to discuss the draft Task Force report, and to review and discuss recently passed and proposed legislation. The following is a summary of key points:

1. Ed Shea from HDR presented key points from the Task Force report recommendations, and Task Force members provided feedback.
  - a. Prioritization of Septic to Sewer Connections – Instead of listing sea level rise as a recommended criteria, it should be listed as a secondary criteria that “could” be applied. **The proposed criteria summary will be updated in the report.**
  - b. Voting percentage threshold – the Willingness-to-Pay (WTP) evaluation was discussed as the basis of retaining the current 50% voting threshold for communities to connect to public sewer. **George Heiner requested that the accompanying graph used in the slides be added to the report** to illustrate the difference in monthly WTP between 50% and 66% voting thresholds.
  - c. Open Application Program – In regards to the flexibility needed in establishing either an annual or multi-year schedule for inviting new applications, Chris Phipps explained that having a queue of projects to work through would drive efficiencies. Need to also consider impacts of home ownership turnover that could potentially change a community’s interest from one year to the next.
  - d. Monthly Assessment Charges – Chris Phipps clarified that the intent of proposing the EDU basis for assessments was to address commercial properties. The

EDU basis is problematic, so the County is now looking at a per lot basis which should accomplish the same improvements over the current Front Foot basis. Councilwoman Haire suggested to look for other examples in the existing code where per lot approaches had been approved, and potentially reference those existing code sections.

- e. Deferment - Sally Hornor requested a sample calc to help her communicate the implications for costs due at the time of home sale. **George Heiner will provide a sample calc. Sally Hornor will share a draft of her SEPA newsletter for comment by DPW.**
  - f. Additional Charges or Fees – George Heiner explained that while these charges are not recommended for the new program, they are tools that could potentially be used later if the program drivers change.
  - g. Jerry Pesterfield requested that the report include the recommendation that the new program accounts for connection of homes to public sewer mains that have already been installed. **The report will be updated to include connection to existing sewers.**
  - h. **The report will be updated based on feedback received and distributed to Task Force members. Comments on the revised draft are requested to be submitted to George Heiner within one week, so that the report may be finalized and posted to the Task Force web page.**
2. The Task Force reviewed the scope of the Deferment bill that passed, and the Subsidy bill that is pending.
- a. The bills closely incorporate the language of the Task Force report recommendations. **Where there are minor differences, the report will be footnoted to document relevant details from the legislation.**
  - b. An Amendment to the subsidy bill will be introduced at the January 21 Council meeting, which identifies a high income threshold where homeowners would receive a reduced subsidy.
    - i. Matt Johnston clarified that the income threshold for a reduced subsidy will be tied to the State’s law such that if the State’s definition changes, the County’s income threshold will match.
    - ii. George Heiner explained that the County will track the impacts of the high income threshold during the petition and voting process, as well as other factors that may affect voting.
    - iii. Lloyd Lewis requested a change to the slide to clarify that the 50% subsidy for high income households was a 12.5% max subsidy consistent with wording in the bill. **The slide will be updated.**
    - iv. **Legislation will be linked from the future program website.**
3. Ed Shea provided a brief update on the County’s progress in developing program policies and procedures.
- a. Annual reporting – Matt Johnston discussed the purpose and benefits of preparing an annual report that summarizes costs and progress to date. This could be published on the program website.

- b. County's public outreach strategy - The group discussed involvement of the Task Force going forward. At the general concurrence of community members, the County will continue to communicate with community representatives of the Task Force as the new program is developed and implemented, primarily by email to solicit feedback.
4. Carita Parks presented the overall public outreach approach and described tactics that will be used to engage the community.
  - a. Councilwoman Haire pointed out that bill inserts will only be received by those with existing water or sewer bills.
  - b. Jerry Pesterfield and Eliot Powell suggested that there are many community groups (HOAs, local special interest) who could potentially be the starting point for creating stakeholder focus groups.

### **Summary of Key Decisions**

- The proposed criteria summary will be updated in the report.
- Add WTP summary graphs to the report.
- George Heiner will respond to Sally Hornor's inquiry about deferment payoff examples.
- Sally Hornor will share a draft of her SEPA newsletter for comment by DPW.
- The report will be updated to include connection to existing sewers.
- The report will be updated based on feedback received and distributed to Task Force members. Comments on the revised draft are requested to be submitted to George Heiner within one week, so that the report may be finalized and posted to the Task Force web page. Where there are minor differences between the report recommendations and passed/pending legislation, the report will be footnoted to document relevant details from the legislation.
- Legislation will be linked from the future program website.

*Advancing environmental stewardship in Anne Arundel County*

**OSDS Strategic Planning**  
Task Force Meeting No. 5



January 21, 2020



**Septic Task Force Members**

**Community Representatives**

Jim Doyle	Edgewater Beach Community
Jeff Holland	West/Rhode Riverkeeper
Jesse Iliff	Arundel Rivers Federation
Sally Hornor	AA Community College/Severn River
Lloyd Lewis	Mayo Community
Jerry Pesterfield	Heritage Harbor
Eric Devito	Stone Matteis Xenopoulos & Brew, PC
Eliot Powell	Whitehall Development
Ben Wechsler	Linowes and Blocher LLP

## County Representatives

### Anne Arundel County Representatives

Kim Cluney	Department of Public Works – Business and Financial Services
Matthew Johnston	Office of the County Executive – Environmental Policy Director
Jessica Haire	County Council – District 7
George Heiner	Department of Public Works – Engineering
Karen Henry	Department of Public Works – Assistant Director
Albert Herb	Department of Health – Sanitary Engineering
Erik Michelsen	Department of Public Works – Watershed Protection and Restoration
Cindy Carrier	Office of Planning and Zoning – Long Range Planning Division
Chris Murphy	Department of Public Works - Engineering
Chris Phipps	Department of Public Works - Director

**01 Feedback on Task Force Report**

**02 Legislative Summary of Subsidy / Deferment**

**03 Development of Policies & Procedures**

**04 Public Outreach Strategy**

**05 Decisions & Next Steps**





# 01 Feedback on Task Force Report

## Task Force Report Overview

- Draft Report Issued
- Discussion Summary
  - Task Force and Working Group Meetings
  - Any comments / changes?
- Recommendations Summary
  - 14 recommendations
  - Briefly discuss each one now
  - Provide written feedback by January 24
  - Report to be posted to program website
  - Meeting minutes current available



**DPW & YOU**  
Making Life Better, Together

**ANNE ARUNDEL COUNTY  
 SEPTIC TASK FORCE - 2019**

**DRAFT REPORT**

**NOVEMBER 2019**



## Task Force Report - Recommendations

- 1 – New Application Process for County-Directed Program
  - Outreach-driven program that is affordable and adaptable.
  - Based on agreed prioritization criteria
  - Understandable costs
  - Streamlined voting and public meetings
  - Flexibility for adjustment in the future
  
- 2 - Prioritization of Septic to Sewer Connections
  - No. of parcels in Onsite Wastewater Management Problem Areas (OWMPAs)
  - No. of parcels within the Chesapeake Bay Critical Area
  - Proximity to existing sewer infrastructure
  - Total estimated project cost/lb of nitrogen removed
  - No. of parcel within the five feet of inundation from sea level rise (more definition needed)



## Task Force Report - Recommendations

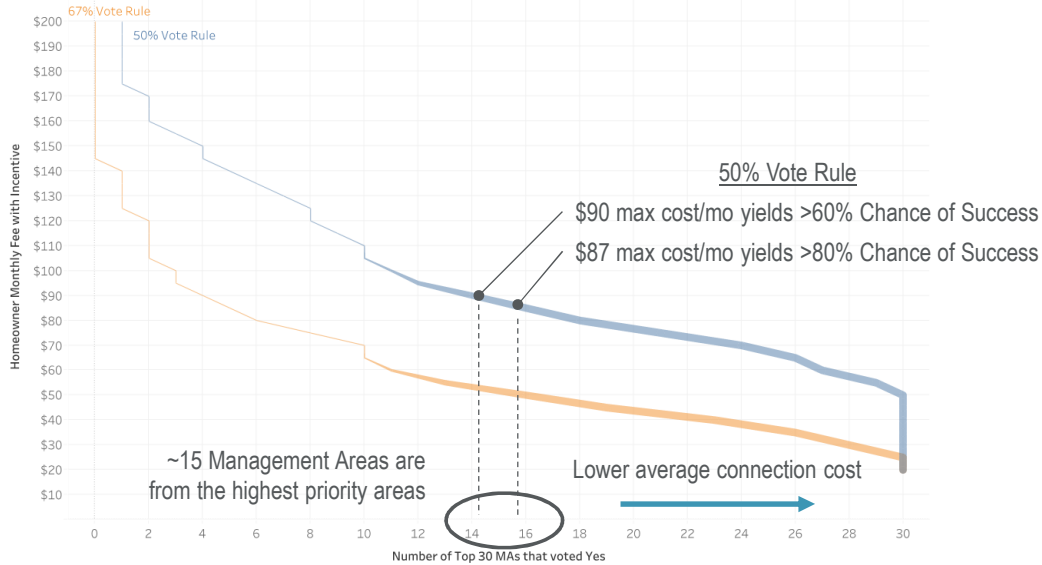
- 3 – New Program to Use Existing Petition Process with Modifications
  - For communities eligible for the new program to connect to public sewer
  - Eligible to defer costs, voting process simplified
  - DPW can modify proposed project boundaries

***Existing process retained for communities not eligible for new program, and for water petitions***

- 4 - New Program to be Voluntary/Mandatory
  - Maintain simple majority vote (50% + 1)
  - Voluntary participation on the community level initially
  - Mandatory individual connections for all property owners after community votes to connect



## Willingness to Pay Summary Based on Survey Results



## Task Force Report - Recommendations

- 5 – Open Application Program
  - Ranking of applications received by prioritization criteria that are transparent and published
  - Application process opened on an annual or multi-year basis
  - DPW to review and modify proposed connection areas
  - DPW will determine number of projects awarded in a given year, target 200 conversions/yr
  
- 6 - Monthly Assessment Charges Based on Property Tax Account or Equivalent Dwelling Units (EDUs)
  - Change from front footage



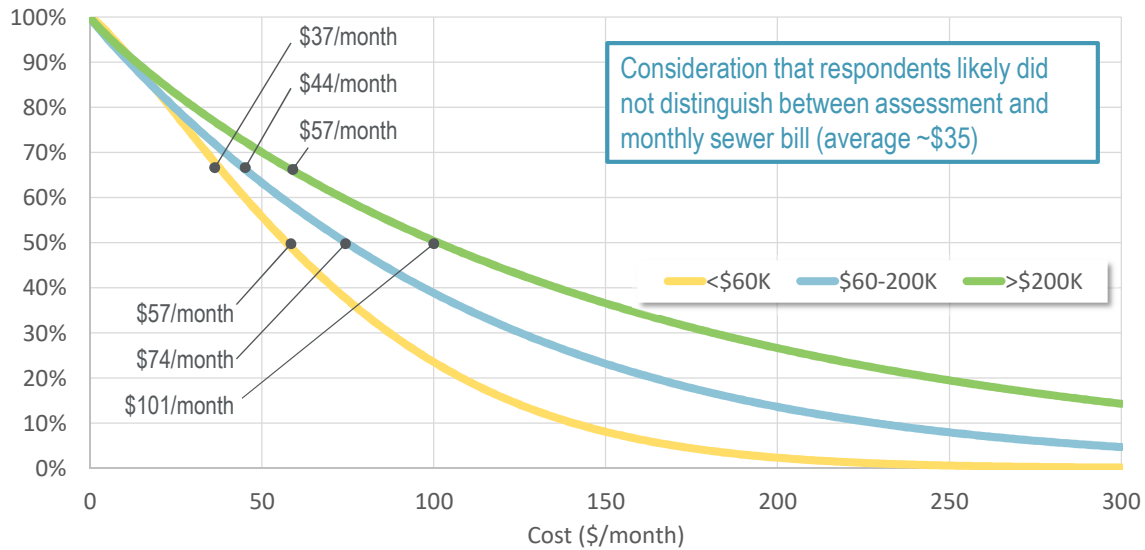
## Task Force Report - Recommendations

- 7 – Deferment of Septic Conversion Costs Offered More Broadly (legislation already passed)
  - Eligible for households in the Chesapeake Bay Critical Area, Onsite Wastewater Management Problem Area, and an area to be designated in the County's Master Plan for Water Supply and Sewage Systems as a "Septic to Sewer Conversion Area", or in an area adjacent to one of these areas
  - Flexibility to defer up to 50% of all charges
  - Pay back charges up to 40 year period, lump sum payment at the end of term or upon property transfer, whichever comes first.
  - Flexibility to spread lump sum.
  
- 8 - County Subsidy to Reduce Property Owner Costs for Septic Conversion (legislation introduced)
  - County subsidy up to 25% of total project costs based on availability of funds
  - *Subsidy uniformly applied to each project area and residence*
  - *Consistent with the BRF approach*

## Task Force Report - Recommendations

- 9 – Impact of Subsidy on County's Financing Structure
  - General Fund is less stable compared to the Enterprise Fund
  - Aims to be "revenue neutral"
  - DPW set financing rates for assessment
  
- 10 – Customer Willingness to Pay
  - Based on survey results
  - \$72.50/month including the utility bill
  - Higher income households generally exhibited higher willingness to pay
  
- 11 – Public Outreach is Critical to the Success of the Septic Conversion Program
  - Develop understanding of benefits of water quality improvements
  - Webpage including a map for checking eligibility status
  - Clear pricing information, inclusive price if possible
  - Education campaign for septic tank operation and environmental impacts

## Willingness to Pay Results



## Task Force Report - Recommendations

- 12 – Alternative Funding Sources Should be Considered
  - Additional BRF grant through Septic and/or Sewer Fund
  - Federal: FEMA or USDA
  - Community Development Banks – possible resource for funding private side improvements
  
- 13 - Additional Charges or Fees Not Recommended
  - “Readiness-to-serve” charge not applicable for Voluntary/Mandatory program
  - Septic impact fee not recommended
  
- 14 – Sunset Provision Not Desired in Proposed Legislation
  - Council will have individual project approval authority through the budget process
  - Program performance will be reviewed to confirm and adjust assumptions

*Any further comments on Task Force report requested to be submitted by Friday, January 24*



## 02 Legislative Summary of Subsidy / Deferment

### LEGISLATIVE HIGHLIGHTS

#### Overview of Deferment Bill

- Bill No. 90-19 (passed)
  - "...for connections to an extension of the County's wastewater system within an eligible area, the owner of a residential property with existing improvements may choose to defer payment of up to 50%, separately or in total, of the assessment, the capital facility connection charges, and the user connection charges..."
  - "The capital facility connection charges and user connection charges deferred... any interest accrued... and any assessment charges deferred...shall be a lien on the property..."
  - Eligible areas definition consistent with Task Force recommendations
  
- Comments/Discussion
  - County's cash flow is manageable (within Utility Fund)
  - No impact to bond rating

## LEGISLATIVE HIGHLIGHTS

### Overview of Subsidy Bill

#### □ Bill No. 95-19

- “At the discretion of the director, the County may subsidize a wastewater extension project located in an eligible area, not to exceed 25% of the total project cost.”
- “Criteria...
  - Proximity of the wastewater extension project to existing wastewater infrastructure;
  - The environmental and health benefits of the wastewater extension project;
  - Engineering considerations;
  - The availability of funds for a subsidy;
  - Financial viability of the wastewater extension project;
  - Federal or state aid.

#### □ Comments/Discussion

- Amendment from Executive’s office regarding means testing for high income (12.5% subsidy at \$300,000 annual income)
- Impact of Amendment not believed to reduce chance of program success, but DPW would monitor



# 03 Development of Policies & Procedures

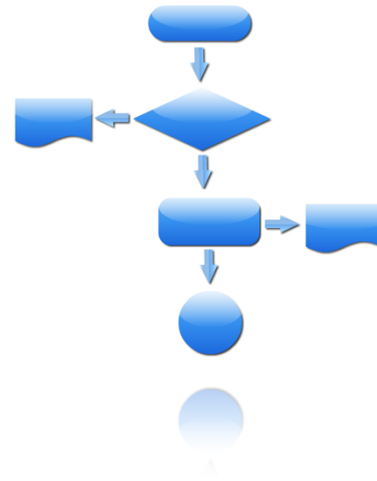
## Policies & Procedures Overview

### □ Purpose

- Develop and identify DPW administrative policies and procedures needed to implement and administer the first and subsequent program cycles
  - Identify any code changes that may be required
- Identify and develop funding policies and procedures for the program
  - Maximize State grant funding
- Coordinate with State and County agencies

### □ Key outcomes

- Ranking criteria for project selection that will be published
- Process for DPW to manage program, including timeline and major activities, i.e. application and voting, review, engineering, bid, and construction



## Policies & Procedures Overview (Continue)

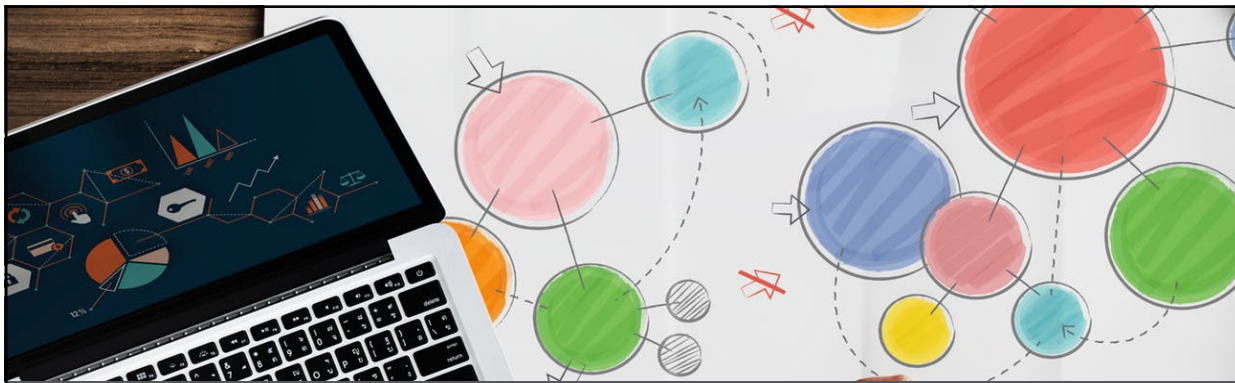
### □ Implementation Schedule Goals

- Legislation
  - Subsidy authority approved February 2020
  - Changes to Front-Foot Assessment Feb/Mar 2020
- Adopt new policies and procedures – Apr/May 2020
- Program commencement & targeted outreach begins – July 2020



## Policies & Procedures Overview (Continue)

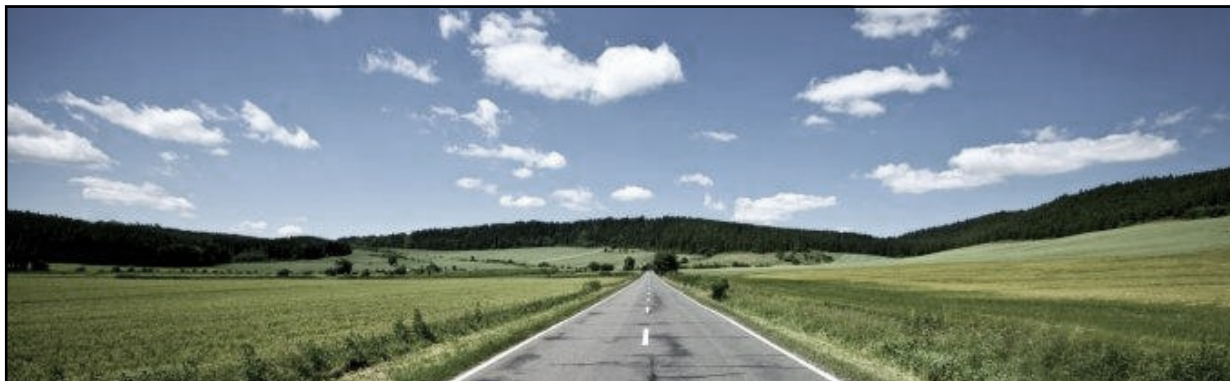
- ❑ Policy & Procedural Review – DPW to develop policies and procedures in consultation with other County Departments
  - ❑ OPZ
  - ❑ Health Department
  - ❑ Inspections & Permits
  - ❑ Office of Finance
  
- ❑ What is the best approach to maintain a commitment to transparency?
  - ❑ Program website
    - ❑ Application process
    - ❑ Prioritization criteria
    - ❑ Progress and projects



# 04 Public Outreach Strategy

## Public Outreach Strategy

- **Program website**
  - Splash page to be activated soon for preview of program
  - Campaign for integrated approach to WIP compliance
- **Social Media Campaign**
- **Educational videos and bill inserts**
- **Pop-Up Meetings**
  - Farmers markets, community days, HOA meetings
- **General Community meetings**
- **Focus Groups**
  - Targeted stakeholder groups (i.e., environmental advocacy, etc.)



# 05 Decisions & Next Steps