



WSSC WATER

DELIVERING THE ESSENTIAL

Sewer Extension Needs for Unserved & Underserved Neighborhoods Final Recommendations of Bi-County Infrastructure Working Group

Joseph Beach, *General Manager's Office*

January 11, 2022

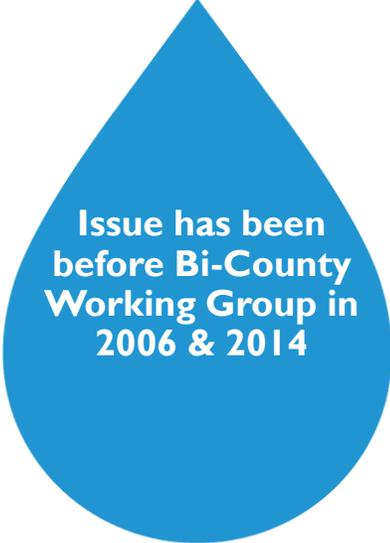
Agenda

- Working group membership
- Problem statement
- Current approach to financing
- Affordability challenge and examples
- Policy objectives
- Recommendations
- Potential funding sources
- Roadmap to improved system of financing
- Conclusions



Working Group Membership

- Shirley Branch, Prince George's County Department of Permitting, Inspections, & Enforcement
- J. Kenneth Battle, Jr., Committee Director, Prince George's County Council
- Evelyn Hoban, Prince George's County Health Department
- Maria Martin, Prince George's County Park and Planning
- Lavinia Baxter, Prince George's County Council
- Keith Levchenko, Senior Legislative Analyst, Montgomery County Council
- Steve Shofar, Montgomery County Department of Environmental Protection
- Alan Soukup, Montgomery County Department of Environmental Protection
- Joe Beach, Deputy General Manager, Administration, WSSC Water
- Patricia Colihan, Chief Financial Officer, WSSC Water
- Letitia Carolina-Powell, Budget Division Manager, WSSC Water
- Mark Brackett, Sr. Strategic Financial Advisor, WSSC Water
- Ray Chicca, Development Service Division Manager, WSSC Water
- Art Atencio, Development Services Division Project Manager, WSSC Water
- Jay Sakai, 4 Tenets Consulting



**Issue has been
before Bi-County
Working Group in
2006 & 2014**

Problem Statement

- Septic systems that are either failing or close to failing
 - Approximately 2,087 homes in Prince George's County and 1,700 in Montgomery County
 - Two categories: Unserved and Underserved
- Public and environmental health impacts from these aging septic systems will only get worse over time
- Affordability: Costs are often too high for homeowners to pay for sewer service extension

Current Approach to Financing

According to state law, homeowners requesting service are responsible for the sewer extension costs Md. Annotated Code, Public Utilities Article, Sections 25-204 and 25-207:

- Front Foot Benefit Charges (\$6.00/foot/year)
- Project Deficit Charges (project costs in excess of Front Foot Benefit income)
- The homeowner is further responsible for:
 - On-site plumbing
 - Septic system abandonment
 - Application and inspection fees
 - Sewer connection from house to the main

WSSC Water Health Hazard Subsidy

- Owner-occupied dwelling classified by County as a ‘Health Hazard’ due to a failed well and/or private sewage disposal system qualify for a ‘health hazard subsidy’
 - Applicant must provide WSSC Water with copy health hazard letter
- Approval:
 - GM/CEO: Projects where health hazard subsidies are less than \$100,000
 - Commissioners: Projects where health hazards are greater than \$100,000
(DOA Para. 20 of Resolution 2016-2133)
- For owner occupied, single-family applicant with a Health Department certified failing well or septic system, a **\$15,000 subsidy** is allowed for every property which could be served by the proposed extension
- The subsidy is reduced by the assessment returns from those properties

Reference: Section 1601.3 of the WSSC Development Services Code of Regulations.

Defining Affordability

	Montgomery County	Prince George's
Median Household Income ⁽¹⁾	\$ 108,820	\$ 84,920
2% Affordability Threshold ⁽²⁾	\$ 2,176	\$ 1,698
Estimated Annual Sewer Service Cost ⁽³⁾	\$ 551	\$ 551
Available for Sewer Extensions	\$ 1,625	\$ 1,147

¹ 2015-2019 American Community Survey 5-Year Estimates, US Census Bureau.

² Combined Sewer Overflows: Guidance for Financial Capability Assessment and Schedule Development, USEPA, Publication

³ WSSC 2021 Sewer Rates. Assumes 165 gallons per day, 50% of Account Maintenance Fee, 50% of Infrastructure Investment Fee, \$60 BRF fee.

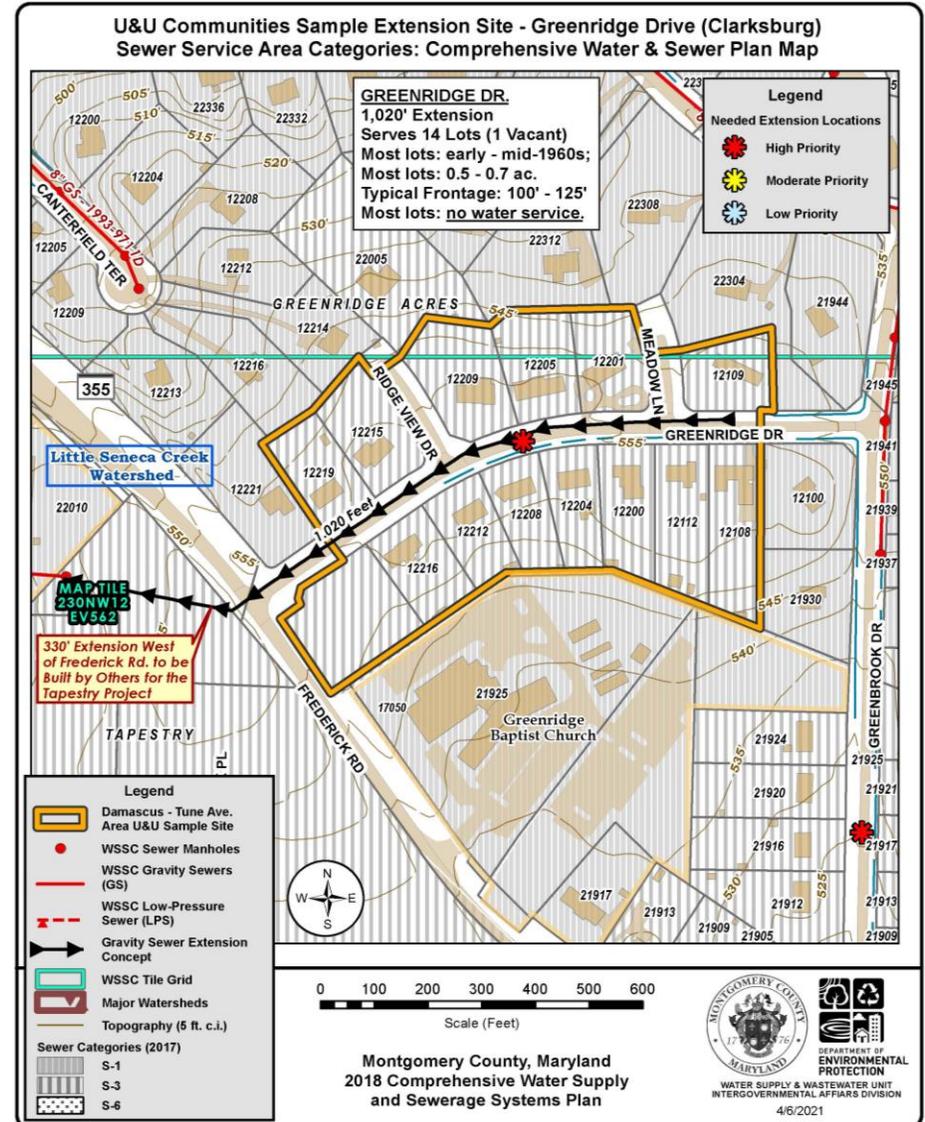
Example of Unserved Community

- Treasure Cove/George Thorne Estates in Prince George's County
- 47 properties with septic systems
- Within the Sewer Service Envelope
- Some systems identified as failing or close to failing
- Sewer extension of 4,900 linear feet

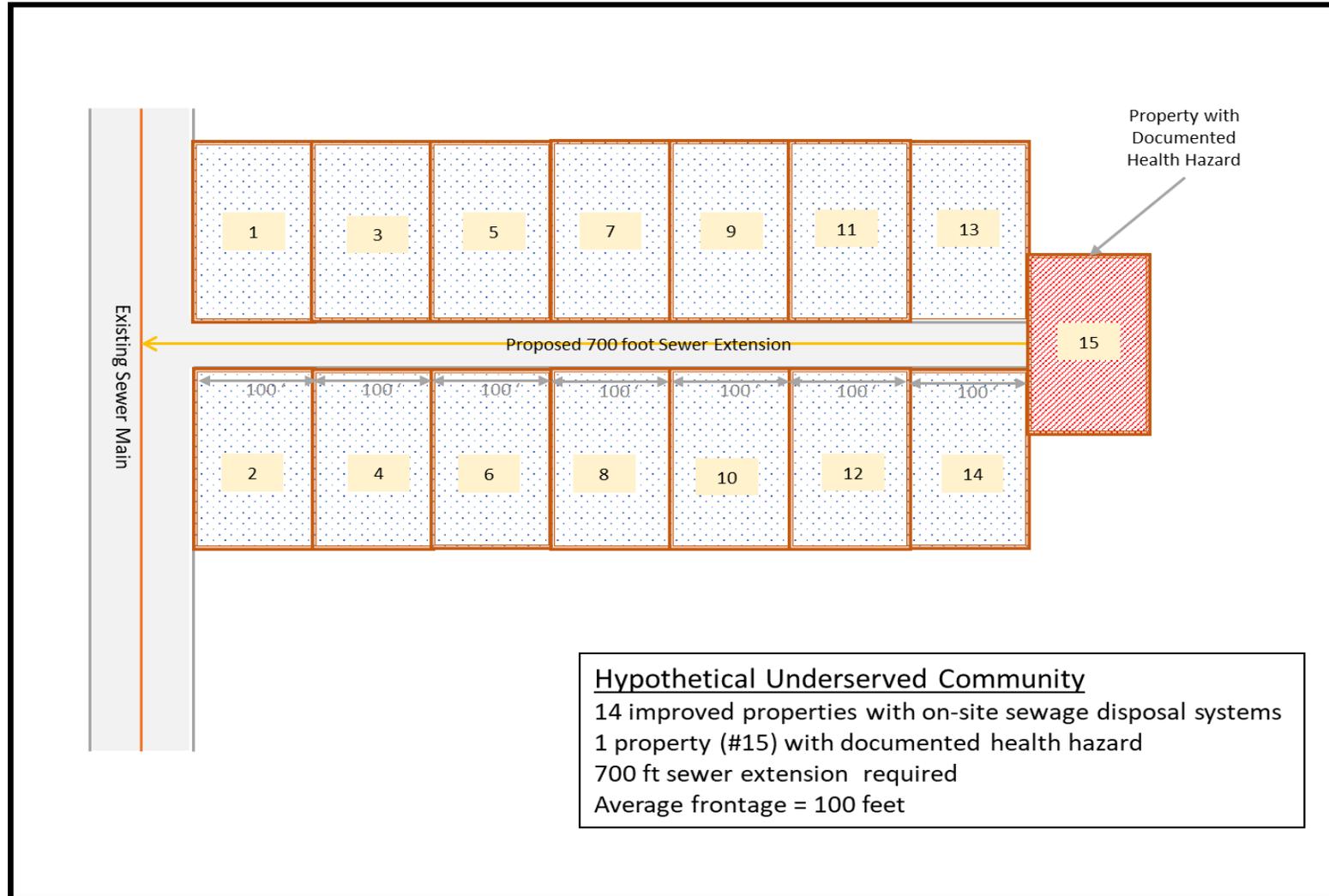


Example of Underserved Community

- Greenridge Drive in Montgomery County
- 13 homes with septic systems
- 1 (one) designated health hazard
- 1 (one) undeveloped lot
- Within the Sewer Service Envelope
- Within an area designated for WSSC Water sewer service
- Sewer extension of 1,020 linear feet



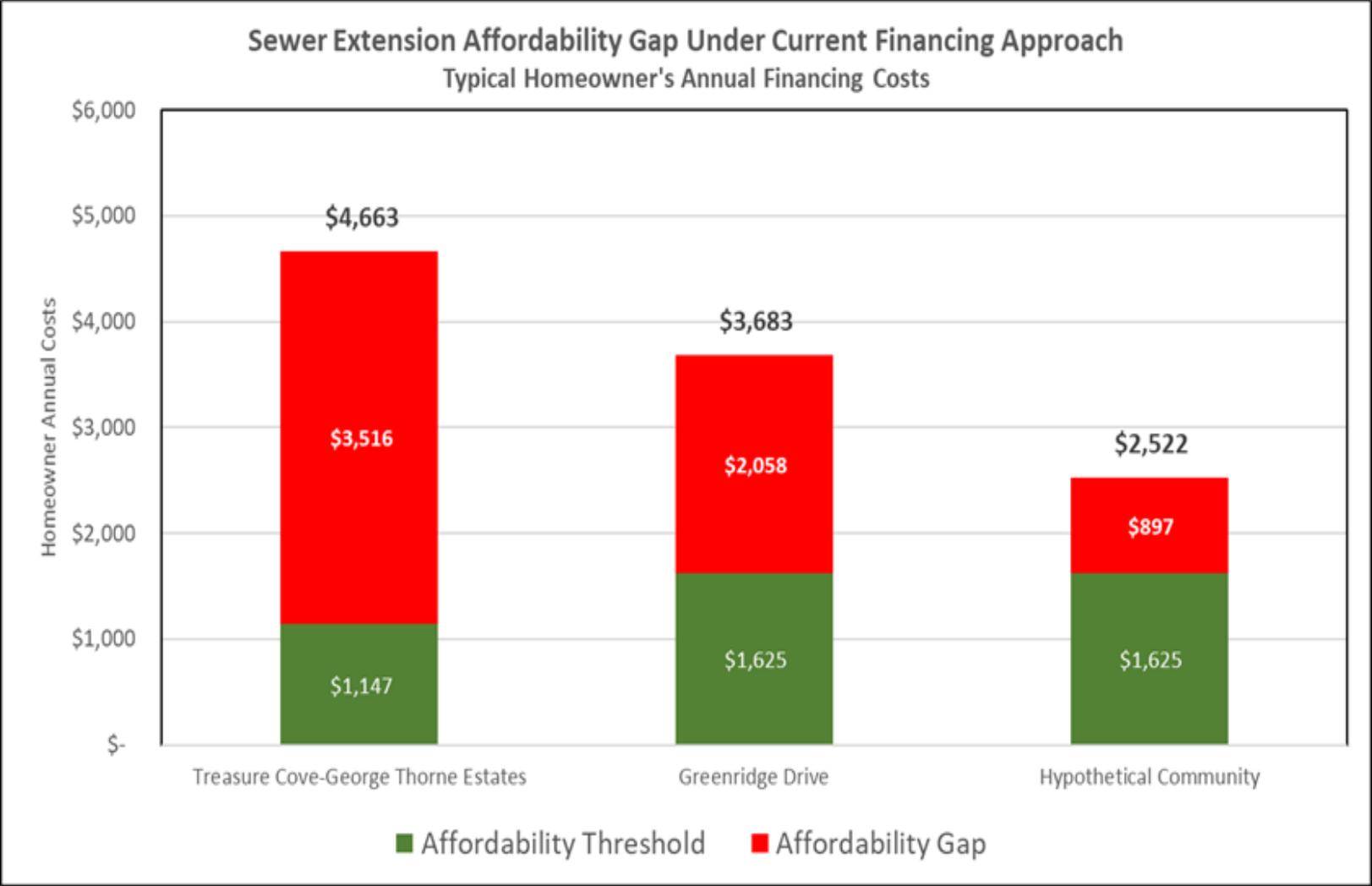
Affordability Challenge



Homeowner Cost Under Current Financing

Hypothetical Community		
Project Cost	\$ 534,800	700 feet @ 694 per ft
Projected Front Foot Benefit Income ⁽¹⁾	\$ 176,404	1500. ft. of frontage @\$6. per foot
Unadjusted Health Hazard Subsidy ⁽²⁾	\$ 225,000	15 properties @\$15000
Adjusted Health Hazard Subsidy	\$ 48,596	subtraction for FFB income
State Grant		
Project Deficit	\$309,800	Paid by Homeowner
Deficit Allocation per Homeowner ⁽³⁾	\$ 22,129	14 properties
One-Time Up-Front Costs for sewer connection, plumbing, septic system abandonment	\$ 15,550	
Total Cost of Connection per Homeowner	\$49,439	Sewer Extension + Up Front Costs
Annual Front Foot Benefit Charge	\$ 600	100. ft. of frontage @\$6. per foot
Annual Deficit Payment	\$ 1,129	@ 3.0% over 30 years
Annualized Up-Front Costs	\$ 793	\$15,550 @ 3.0% over 30 years
Total Annual Cost	\$ 2,522	
County Affordability Threshold	\$ 1,625	
Exceeds Affordability Threshold	\$897	
Project Funding Gap ⁽⁴⁾	\$246,124	

Affordability Challenge



Policy Objectives

- **Financial Sustainability:** A reliable, consistent source of funding must be identified to ensure that the program can be sustainably funded over the long term
- **Affordability:** Costs must be affordable for all homeowners, including low to moderate income homeowners and households with fixed incomes
- **Equity:** For every proposed new sewer extension request, the costs of the project must be weighed against the benefits to the community and the public at large
- **Simplicity & Transparency:** The roles and responsibilities and financial requirements for any new program should be easy to understand and simple to communicate to all stakeholders
- **Prioritize Public Health:** The program should ultimately improve public health outcomes for communities with current or pending septic system problems
- **Maximize Community Participation:** Any new approach should incentivize a maximum number of homeowners within an underserved/unserved community to connect to the new system

Recommendations

1. Increase public subsidies for sewer extension projects in underserved and unserved communities
2. Implement a uniform, affordable cost for homeowners in underserved and unserved communities to connect to sewer service
3. Provide additional assistance with up-front costs for homeowners who are experiencing other financial hardship
4. Establish a pay-as-you-go capital improvement program for sewer extensions to underserved and unserved communities

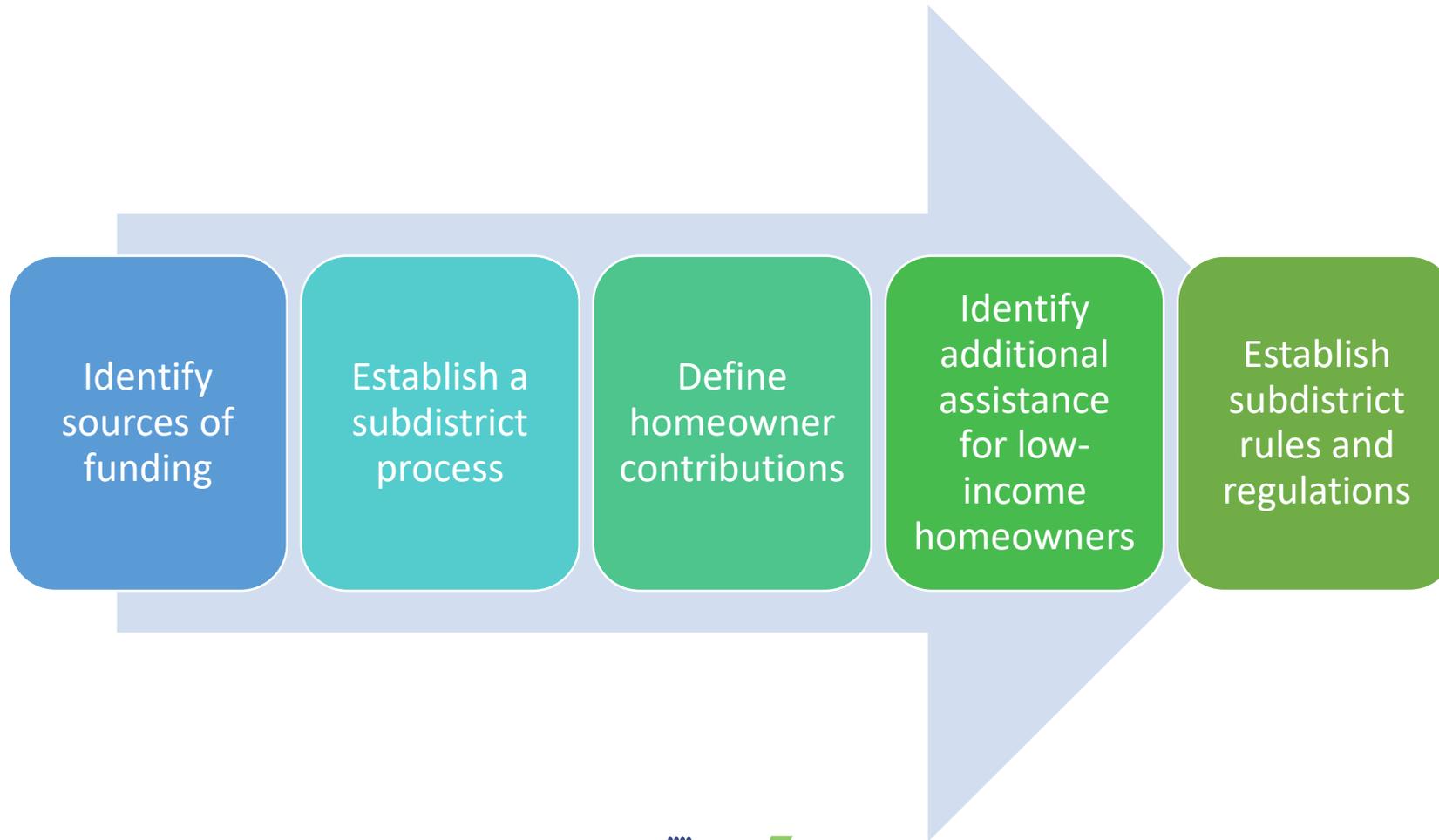
Recommendations Continued

5. Allocate program funding equitably between Prince George's and Montgomery counties
6. The Counties and WSSC Water should aggressively pursue funding from the State's Bay Restoration Fund or other sources for sewer extension projects in underserved and unserved communities
7. Establish a subdistrict process to secure support within underserved and unserved communities for sewer connection projects
8. Each County should develop an approach to identify and prioritize communities with the greatest need for sewer extensions

Potential Funding Sources

- New WSSC Water Fee
- WSSC Water rate increase
- County general revenue subsidy from both Counties
- Combination of WSSC Water rates or fees and County general revenue subsidy from both Counties

Roadmap to Improved System of Financing



Conclusions

- There is a growing public health problem in underserved/unserved communities due to a lack of access to public water and sewer service
- The current approach to water and sewer extensions is not working for homeowners who need services from WSSC Water
- Extension costs are unaffordable for most homeowners
- Additional public subsidies are needed to make extension projects affordable
- This is a complex problem that will take several years to address on an ongoing basis
- The current fiscal challenges facing WSSC Water will impact our response to this issue

