

# **Office of the County Auditor**

## **Auditor's Analysis**

### **Council Bill No. 5-2024**

Introduced: February 5, 2024

Auditors: Diane Zagorski-Kelly

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#### Fiscal Impact:

The fiscal impact of this legislation is a \$23.5 million increase in the Fiscal Year 2024 budget appropriation to accommodate funding received by the Maryland Department of the Environment (MDE) for a Water Quality State Revolving Fund loan. Of this amount, \$21 million represents a loan to the County and \$2.5 million represents a grant that will not require repayment. These proceeds are designated by the MDE to support the Extended North Tunnel project and will be appropriated in Capital Project C0337.

According to documentation received by MDE, the loan agreement is being finalized with an interest rate estimated to be between 1.6 and 1.9 percent for a term of 30 years. In addition, the County would pay an administrative fee with an estimated interest rate impact of approximately 0.35 percent. According to the Department of Finance the expected general obligation bond interest rate would have been approximately 3.5 percent for Fiscal Year 2024.

According to the Department of Public Works (DPW), approval of this legislation will also allow the County to lock in a guaranteed maximum price, of \$141.5 million, on a contract to construct the Extended North Tunnel. In the event this legislation does not pass, the DPW estimates the cost of this contract would likely increase more than 10 percent, or approximately \$14 million.

#### Purpose:

Council Bill 5-2024 requests emergency appropriation of \$23.5 million in order to accept funding from the MDE, increasing the total Fiscal Year 2024 appropriation to \$68.22 million, and total project appropriation to approximately \$252.5 million for Capital Project C0337 Ellicott City Improvements and Enhancements.

#### Other Comments:

The DPW advised that if CB5-2024 passes, the funding sources in capital project C0337 will be prioritized for the tunnel construction as follows:

- \$75 million Water Infrastructure Finance and Innovation Act (WIFIA) Loan
- \$17 million Fiscal Year 2023 and Fiscal Year 2024 State Bond Bills
- \$23.5 million Fiscal Year 2024 State Revolving Loan
- \$26 million County General Obligation Bonds/Pay-As-You-Go Funding

According to the Deputy Director of DPW, CSX Transportation (CSX) has approved the design concept for the Extended North Tunnel under the railroad. These designs are now being finalized and CSX's final approval of the design is expected by Fall 2024. To date, the County has paid \$103,180 to CSX for engineering services to facilitate the development of the Extended North Tunnel.

The County will also need to enter into an encroachment agreement with CSX. The resulting costs to the County of this agreement are pending negotiation.

The DPW has provided our Office a detailed listing of all expenditures and obligations by purchase order, to date, in Capital Project C0337. This schedule can be provided to Councilmembers upon request.

**Attachment A** provides an updated project schedule for Capital Project C0337.

**Attachment A**  
**Project Schedule for C0337**  
**CB5-2024**

Project Name	Design	Construction
West End Improvements (project rescope for local drainage improvements)	3/2023 to 4/2023	10/2023 to 9/2025
Lower Main Street Stabilization	Complete	2/2024 to 5/2024
H-4 Dry Flood Mitigation Pond	Complete	6/2024 to 12/2025
North Tunnel	Complete*	6/2024 to 12/2027
T-1 Dry Flood Mitigation Pond	5/2024 to 5/2025	6/2025 to 9/2026
NC-3 Dry Flood Mitigation Pond	1/2024 to 6/2025	7/2026 to 1/2027
MD Ave Culverts	12/2019 to 7/2024	7/2025 to 7/2027
Rogers Ave Storm Drain Improvements		<b>Complete</b> 1/2020
Quaker Mill Dry Flood Mitigation Pond		<b>Complete</b> 2/2023
Ellicott Mill Drive		<b>Complete</b> 9/2020
H-7 Dry Flood Mitigation Pond		<b>Complete</b> 10/2022

\* - Pending the final approval of CSX.

**Note:** Phase I & II of the Church and Emory Street Storm Drains project are appropriated in Capital Project J4252 – Systemic Infrastructure Improvements to Downtown Ellicott City.