



Internal Memorandum

Subject: Proposed legislation related to the Watershed Protection and Restoration Fee

Date: January 12, 2016

To: Lonnie R. Robbins
Chief Administrative Officer

From: Diane Wilson
Chief of Staff *DW*

Summary:

The Administration has filed a package of legislation related to the Watershed Protection and Restoration Fee (the "Fee"). The Fee was last adopted by the County Council by passage of Council Resolution No. 88-2013. This current proposal moves the rate for Non-Residential Properties and Residential Properties to the County Code. Once moved to the Code, the Fee will be reduced by 50% for Fiscal Year 2017 that begins on July 1, 2016.

Beginning July 1, 2016, the rates will be as follows:

The rates for residential properties:

- (1) Townhouse or Condominium units - \$7.50
- (2) Single Family Detached
 - (i) Properties up to and including .25 acres - \$22.50
 - (ii) Properties larger than .25 acres - \$45

The Rates for non-residential properties:

- (1) \$7.50 per apartment for apartment buildings that are not subject to the schedule of rates for residential properties; and
- (2) \$7.50 per impervious unit for non-residential properties.

For Fiscal Year 2018, beginning on July 1, 2017, the Fee will cease to exist.

This proposal is spread across three pieces of legislation as follows:

1. Resolution 181- A resolution removing the residential and nonresidential rate schedules that were adopted by CR 88-2013 so that the companion Bill can transfer those rates to the County Code. The resolution is effective on July 1, 2016. Accordingly, the current rate schedules passed by CR 88-2013 will apply for the remainder of the current Fiscal Year. Regarding the Credit, Reimbursement and Assistance Programs, there are no proposed changes for Fiscal Year 2017. When the Fee ceases to exist on July 1, 2017 (the first day of Fiscal Year 2018), the Credit, Reimbursement and Assistance Programs will also cease to exist.

2. Bill – Council Bill No. 52-2015 inserts the rates for residential and non-residential properties into the County Code. For Fiscal Year 2017, those rates will be 50% of what was adopted in CR 88-2013. This reduction in the Fee will be effective on July 1, 2016, the first day of Fiscal Year 2017. The Bill also abrogates the Fee completely, effective July 1, 2017, the first day of Fiscal Year 2018.

3. Resolution 182 – Section 4-202.1 of the Environment Article of the Annotated Code of Maryland requires a County's local governing body to approve a financial assurance plan on or before July 1, 2016. This Resolution would approve our Financial Assurance Plan consistent with the rest of the legislative package that cuts the Fee for Fiscal Year 2017 and abrogates the Fee for Fiscal Year 2018.

Fiscal Impact:

The legislative package will have an impact on the General Fund, but at this time the extent of that impact is still unknown given the fluid regulatory environment surrounding the implementation of stormwater remediation practices, as well as the improving technology utilized in constructing stormwater remediation projects.

The Administration has proposed an amendment to the Financial Assurance Plan. The revised Financial Assurance Plan reflects the fiscal impact discussed below. The revised Plan addresses updates to the Countywide Implementation Strategy the County submitted to the Maryland Department of the Environment in mid-December. Overall, the legislative package will have a cumulative additional impact to the General Fund over the term of the County's MS4 Permit of approximately \$15.65 Million for both capital and operating costs.

In Fiscal Year 2017:

Operating costs for the implementation of the County's entire Watershed Protection and Restoration program will not have an additional impact on the General Fund in FY 2017. Operating costs will be absorbed by a positive unreserved fund balance in the Watershed Protection and Restoration Fund (WPRF). In addition to the WPRF fund balance, the County has allocated \$1.8 million annually from the General Fund for operating costs, as required to do so as part of the maintenance of effort requirement previously passed by the General Assembly. Recently passed SB 863 in the 2015 session of the General Assembly, removed

the maintenance of effort requirement, but the County will continue to fund operating expenses at that level for FY 2017.

Capital expenditures will have an additional impact on the General Fund, due to the continued expansion of the construction of stormwater Best Management Practices (BMPs) as part of the County's Watershed Protection and Restoration program, in order for the County to meet the Impervious Surface Restoration Plan of the County's MS4 permit. In FY 2016, the County allocated \$3.2 million in Government Obligation (GO) bonds toward funding stormwater infrastructure improvements. This amount will increase to \$10.27 million in FY 2017. Revenue collected from the Watershed Protection and Restoration Fee will also be directed towards funding stormwater capital improvements.

In Fiscal Year 2018:

Operating costs estimated at a total of approximately \$4 million will be absorbed by the General Fund.

In continuing to expand the County's Watershed Protection and Restoration program, the issuance of GO bonds will increase to approximately \$19 million. The County also believes that there will be approximately \$5 million of Pay-Go funding available to pay for stormwater infrastructure improvements.

Should the County utilize \$1 million of the money dedicated from the transfer tax to the County's Agricultural Land Preservation Program for the County's Watershed Protection and Restoration program in FY 2018, that money could offset operating expenses, reduce the debt service of GO bonds, or fund capital expenditures directly.