

PHED/T&E COMMITTEE #1, 2
October 20, 2016

Discussion

MEMORANDUM

October 18, 2016

TO: Planning, Housing and Economic Development (PHED) Committee
Transportation, Infrastructure, Energy and Environment (T&E) Committee

FROM: *KL* Keith Levchenko, Senior Legislative Analyst
Marlene Michaelson, Senior Legislative Analyst *MM*

SUBJECT: **Discussion:**
1) Method of Determining Use of Water Quality Protection Charge Revenues
2) Agricultural Land Preservation Funding

The following officials and staff are expected to participate in this briefing:

- Patty Bubar, Deputy Director, Department of Environmental Protection (DEP)
- Steve Shofar, Chief, Division of Watershed Management Operations, DEP
- Mike Riley, Director, Department of Parks, M-NCPPC
- John Hench, Chief, Park Planning and Stewardship Division, M-NCPPC
- Jeremy Criss, Director, Office of Agriculture
- David Plummer, District Manager, Soil Conservation District
- Richard Dorsey, Chief, Division of Traffic Engineering and Operations, Department of Transportation
- Matthew Schaeffer, Office of Management and Budget

Attachments to this memorandum include:

- Presentation Slides (©1-24)
- Water Quality Protection Fund Recommended Fiscal Plan - April, 2016 (©25)

During the FY17 budget review of the Department of Environmental Protection (DEP) budget, Council President Floreen requested that the T&E and PHED Committees discuss the various expenditure items charged to the Water Quality Protection Fund (WQPF). Council President Floreen noted that the Fund has grown substantially since its inception in 2002 and that a number of items previously funded out of the General Fund are now charged to the WQPF.

Also, this past spring, there were discussions in the PHED Committee about whether two Parks Department capital projects (Pollution Prevention & Repairs to Ponds & Lakes and Stream Protection)

could be funded with WQPF dollars. Both are currently funded with GO Bonds and/or current revenue and the Parks Department had sought increases in the level of effort for both during the FY17-22 CIP process.

DEP staff will provide a presentation summarizing the current expenditure elements in the WQPF and how they relate to the County's stormwater permit requirements and general water quality goals. Maryland-National Capital Park and Planning Commission (M-NCPPC) Staff from the Department of Parks will also present information on both Parks and the Department of Planning's water quality efforts (some of these efforts are funded within the WQPF and other work is currently funded with GO bonds and/or current revenue). Department of Transportation staff will also be available to describe the work they do (such as storm drain maintenance and street sweeping) that is funded out of the WQPF.

Also, during the PHED Committee's review of the County's agricultural land preservation CIP earlier this year, Office of Agriculture staff noted that the office was working with DEP to see if WQPF expenditures could be used to provide more stable funding for its agricultural and conservation easements program. Currently, the program receives funding from the Agricultural Transfer Tax, which is levied when farmland is sold and removed from agricultural status, and from other sources such as M-NCPPC contributions and state aid. Office of Agriculture and DEP staff will be available to discuss the status of these discussions regarding the potential use of WQPF revenues.

Background

Creation of the Water Quality Protection Fund (WQPF)

The Water Quality Protection Fund and charge were created in 2001, when the Council approved Bill 28-00. This bill authorized the County to create a stormwater management fund and levy a stormwater charge (Water Quality Protection Charge) with rates set by the Council each year by resolution. The initial focus of the fund was to provide resources for the structural maintenance, inspection, and repair of both public stormwater management facilities and certain privately owned stormwater management facilities.

Creation of the Water Quality Protection Charge (WQPC)

Regulation 6-02AM - "Water Quality Protection Charge" was approved in June 2002 and provided the basic structure of the Water Quality Protection Charge, and applicable credits. The basis of the charge, which remains in place today, is an "equivalent residential unit" (ERU), which is assumed to be 2,406 square feet of impervious area.¹ The ERU rate is set by the Council each year in May by resolution. The first equivalent residential unit (ERU) rate was approved by resolution for the FY03 budget at \$12.75.

Regulation 6-02AM established the annual charges (collected via property tax bills) by type of property.

Single-family homes were assessed one ERU. Townhomes and duplexes were assessed 1/3 ERU. Multifamily residential properties paid a charge based on actual imperviousness converted to ERUs.

¹ Regulation 6-02AM defined an ERU as "the statistical median of the total horizontal impervious area of developed single family detached residences in the County that serves as the base use of assessment for the Water Quality Protection Charge."

Non-residential properties that drained into residential stormwater management facilities were charged based on actual imperviousness. Non-residential properties that did not drain into residential stormwater management facilities were not assessed.

Legislative Changes to the Water Quality Protection Charge

In April 2013, the Council enacted Bill 34-12 and approved Executive Regulations 17-12AM and 10-13. The bill and regulations included a number of changes to the charge, such as: broadening the charge to include all non-residential properties, establishing a 7 tier rate structure for residential properties, establishing credits for on-site stormwater management practices, and establishing a hardship exemption for residential properties and non-profit organizations. A three-year phase-in period for those properties that experienced an increase in assessments as a result of the legislation was also included.

In November 2015, at the County Executive's request, the Council enacted legislation (Bill 45-15, Stormwater Management - Water Quality Protection Charge - Curative Legislation) to designate the Water Quality Protection Charge as an excise tax (rather than a fee) to address concerns raised in a Circuit Court opinion.²

This past June, the Council enacted Expedited Bill 11-16 and approved Executive Regulation 12-16AM that made changes to Water Quality Protection Charge credits, along with a number of other changes.

Evolution of the WQPF (FY02 to FY17)

In FY02, a supplemental appropriation request for \$447,000 was approved by the Council to begin utilizing the new Water Quality Protection Fund (WQPF). In FY03, the WQPF budget was \$1.7 million and provided for the inspection of all stormwater management facilities in the County (typically on a triennial basis) and structural maintenance of stormwater management facilities owned by the County and private facilities where structural maintenance responsibilities had been transferred to the County.

Over the succeeding years, the Water Quality Protection Fund annual budget has grown substantially (currently \$25.3 million for FY17), as has the ERU rate (\$95 for FY17). The WQPF Fiscal Plan (see ©25) assumes steady budget growth in both operating budget and bond-funded CIP expenditures and in the charge over the next six years.

Some of the major changes to the scope of expenditures in the WQPF since its inception are noted below:

FY03+

- The phase-in of more stormwater management facilities into the program (increasing inspections and structural maintenance responsibilities) as new public facilities are built and private facilities have their structural maintenance responsibilities transferred to the County. These costs (\$7.4 million in FY17) are still the largest single item in the WQPF operating budget, but now only account for about 30 percent of the Fund's operating expenses.

² Paul N. Chod v. Board of Appeals for Montgomery County (Civil No.35398704-V, entered July 23, 2015).

- Over several fiscal years, DEP migrated a substantial amount of its personnel and operating expenses from its General Fund budget to the WQPF. DEP staffing costs in the WQPF operating budget for FY17 are \$5.5 million (21.6 percent of the Fund's operating expenses), the second largest expense item in the Fund). Another \$1.3 million in various DEP operating expenses are also included in the Fund's FY17 operating budget.
- The County's 2010-15 National Pollution Discharge Elimination System Municipal Separate Storm Sewer System Discharge (NPDES-MS4) Permit mandated a substantial ramp-up of stormwater-related work. The WQPF became the County's source of funding to meet those requirements. (See additional detail below)

FY07 – FY09

- Stormwater management CIP projects began utilizing WQPF current revenue in FY07. This use was then greatly expanded beginning in FY09.
- Targeted street sweeping (\$200,000) was added to the WQPF budget.

FY11

- WQPF bond funding was introduced in FY11. Other than swm waiver fees and federal and state aid, all stormwater management CIP expenditures are charged either to WQPF current revenue or WQPF bonds.

FY12

- Expenditures for new Permitting Services staff dedicated to stormwater management-related work were added.
- Storm drain maintenance expenditures were transferred to the WQPF from the DOT General Fund Budget over several fiscal years beginning in FY12. For FY17, these expenditures total \$4.02 million and are the 3rd largest line item in the FY17 WQPF Operating Budget (behind swm facility maintenance and inspections and DEP staffing).
- Expenditures were added in FY12 to provide funding for water quality-related work being done by Montgomery Parks and the Planning Department.
- The County's bag tax went into effect in FY12. Revenue from the tax (\$2.3 million estimated for FY17) is credited to the WQPF and must be used for water quality-related activities.

FY13

- The Council approved \$18.9 million in state grant funding received for stormwater management capital projects.

FY15

- Expenditures were added in FY15 to provide additional resources to the Soil Conservation District to fund two positions (one new and one from Economic Development) plus operating expenses and a BMP cost share program.
- Storm drain CIP projects began utilizing WQPF current revenue and WQPF bonds in FY15.

FY16

- General street sweeping expenditures (\$350,000) were transferred from the DOT General Fund budget to the WQPF in FY16. DOT performs the street sweeping work.
- Storm drain CIP projects are now funded with WQPF bonds.

FY17

- Office of Sustainability Tree Program costs were added to the WQPF.

NPDES-MS4 Permit Requirements

As noted above, the County's MS4 permit is a major driver of DEP's stormwater-related work and thus its WQPF expenditures. This past January, DEP provided an update to the T&E Committee on its 2010-2015 (now expired) MS4 permit.

The County's Coordinated Implementation Strategy (CCIS)³ (dated January 2012) provides the planning basis for the County to meet the following goals, as required in the County's NPDES-MS4 Permit:

1. Meet Total Maximum Daily Load (TMDL) Wasteload Allocations (WLAs) approved by EPA.
2. Provide additional stormwater runoff management on impervious acres equal to 20 percent of the impervious area for which runoff is not currently managed, to the maximum extent practicable (MEP). ***This requirement continues to be the primary driver of DEP's CIP expenditures which are funded primarily out of the WQPF.***
3. Meet commitments in the Trash Free Potomac Watershed Initiative 2006 Action Agreement, which include support for regional strategies and collaborations aimed at reducing trash, increasing recycling, and increasing education and awareness of trash issues throughout the Potomac Watershed.
4. Educate and involve residents, businesses, and stakeholder groups in achieving measurable water quality improvements.
5. Establish a reporting framework that will be used for annual reporting, as required in the County's NPDES-MS4 Permit.
6. Identify necessary organizational infrastructure changes needed to implement the Strategy.

While DEP has made substantial progress over the past five years, DEP has not achieved the 20 percent impervious area control goal (#2 above) and is in negotiations with the State with regard to a completion schedule for this work as well as requirements to be established in the next permit.

Discussion

- 1) Given that the size and scope of WQPF expenditures have increased greatly since the inception of the WQPF in 2002, it would be helpful to hear from DEP as to how the various spending elements currently in the WQPF adhere to the legislation that established the scope of the WQPF and to the

³ The County's Coordinated Implementation Strategy (January 2012) is available on the DEP website at: <https://www.montgomerycountymd.gov/DEP/Resources/Files/ReportsandPublications/Water/Countywide%20Implementation%20Strategy/Countywide-coordinated-implemented-strategy-12.pdf>

requirements in the County's MS4 permit (since the WQPF is the County's primary source of funding to meet its permit requirements).

While some of the expenses have a direct link (such as stormwater management facility inspections, maintenance, and facility retrofit work) other expenses, such as general street sweeping, may provide some water quality benefits but do not necessarily directly help the County meet its stormwater management obligations.

Conversely, is the WQPF consistently funding similar stormwater management efforts across all County-funded agencies (both operating and CIP)? Is there additional work that arguably should or could be funded with WQPF dollars?

- 2) The Committee will hear from Office of Agriculture and DEP staff regarding the potential for utilizing WQPF revenues to fund agricultural and conservation related easements. DEP can describe if and how these agricultural and conservation easement programs might relate to the County's MS4 permit activities (either now or perhaps in the future). While there may not be a direct nexus with the expired MS4 permit, it is possible the next permit may provide more flexibility to DEP to achieve some "MS4 credit" for agricultural and conservation easements.

Attachments

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DEPARTMENT OF
**ENVIRONMENTAL
PROTECTION**

Working together for a cleaner, greener
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T&E Committee Use of the Water Quality Protection Charge

October 20, 2016

Overview of the Water Quality Protection Charge (WQPC)

- ▶ The WQPC is an excise tax levied against all privately owned properties
- ▶ The charge is to cover the cost of constructing, operating and maintaining facilities within the County's stormwater management system and fund related expenses allowed under applicable law.
- ▶ The County's NPDES permit since 2001 has required treatment of impervious surfaces which is done through retrofitting existing facilities and constructing new facilities
- ▶ Section 19-35 was added to the County Code in 2002 – authorizing the WQPC to be assessed against residential properties
- ▶ Section 19-35 was amended in 2013 to include commercial properties

Water Quality Protection Fund - Revenue

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Revenue Type	FY16 Estimated Revenues	FY17 Estimated Revenues	FY17 %
Water Quality Protection Charge Rate - per Equivalent Residential Unit (ERU)	<u>\$88.40</u>	<u>\$95.00</u>	
Water Quality Protection Charge *	\$32,633,364	\$34,530,616	93%
Bag Tax Revenue	2,400,000	2,280,000	6%
SPA – Best Management Practices Fees	200,000	200,000	1%
Pooled Investment Income	<u>81,730</u>	<u>91,130</u>	=
TOTAL	<u>\$35,315,094</u>	<u>\$37,101,746</u>	100%
* Net of incentive credits and hardship reductions			

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Water Quality Protection Fund – Expenditures and Transfers *

(*Funded by Revenues and Carryover Fund Balance)

Expenditure and Transfers Type	FY16 Estimated Expenditures & Transfers	FY17 Estimated Expenditures & Transfers
Personnel Costs (DEP, DOT, Finance, Soil Cons.)	\$8,339,641	\$8,613,342
Operating Costs (DEP, DOT, Finance, Soil Cons, MNCPPC)	<u>14,947,752</u>	<u>16,661,634</u>
Total Operating Budget	\$23,287,393	\$25,274,976
Transfers to Debt Service Fund - Principal and Interest on WQPC Bonds ^	3,020,250	6,367,900
Transfers to General Fund - Indirect Costs & Telecommunication Charge	1,330,510	1,431,071
Transfers to CIP - WQPC Cash for CIP Projects	<u>13,126,000</u>	<u>7,986,000</u>
TOTAL Use of Resources	<u>\$40,764,153</u>	<u>\$41,059,847</u>

^ FY17 includes first Debt Service Payment for WQPC Series 2016 Revenue Bonds

* Carryover fund balance was used for CIP projects – approximately \$5M for FY 16 and \$4M for FY 17)

The (WQPC) Funds Activities in Several Departments and MNCPPC

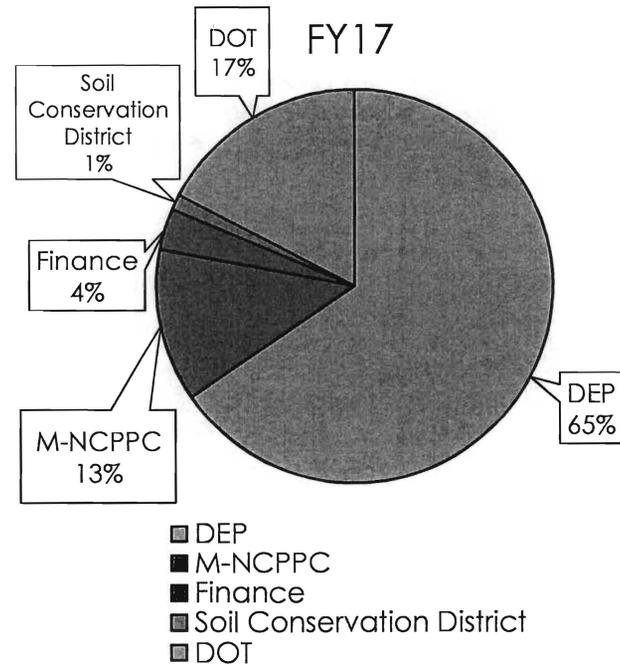
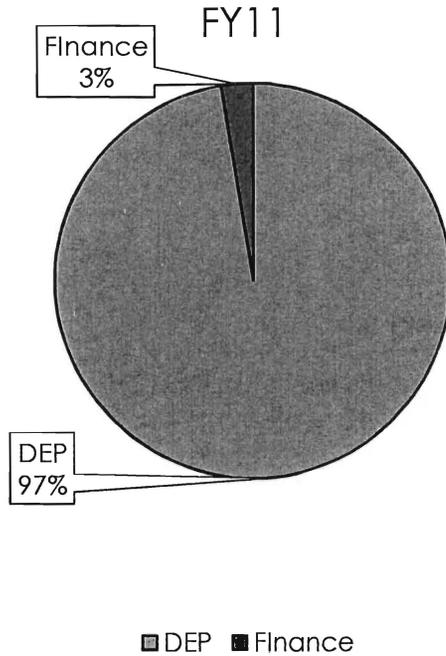
- ▶ Prior to FY 12- the Water Quality Protection Charge funds were used by the Department of Environmental Protection to meet the requirements of the MS4 Permit. Finance used funds since the initiation of the Charge, to offset the costs of adding WQPC to the property tax bills
- ▶ In FY 12, the appropriation included direction to fund DOT Storm Drain Maintenance
- ▶ In FY 12, the appropriation included direction to fund MNCPPC to offset costs associated with ongoing water quality related work and implementation of their Phase II MS4 General Permit
- ▶ In FY 15, the appropriation included funding for the Soil Conservation District (via the Office of Economic Development)
- ▶ In FY 16, the appropriation included funds for streetsweeping done by DOT (In FY 15 – DOT Streetsweeping costs absorbed by DEP)

Allocation of Operating Budget by Department/Agency *

(* Excludes Transfers to Debt Service, CIP and General Funds)

Department/Agency	FY16		FY17	
	Budget	Budget	Budget	FTEs
DEP	\$15,478,958	\$16,533,486		48.37
DOT	3,996,398	4,365,638		32.29
M-NCPPC	3,100,182	3,187,313		
Finance	385,313	865,388		6.0
Soil Conservation District	<u>326,542</u>	<u>323,051</u>		<u>2.1</u>
TOTAL Operating Budget	<u>\$23,287,393</u>	<u>\$25,274,876</u>		<u>88.76</u>

Allocation of WQPF Operating Budget by Department/Agency

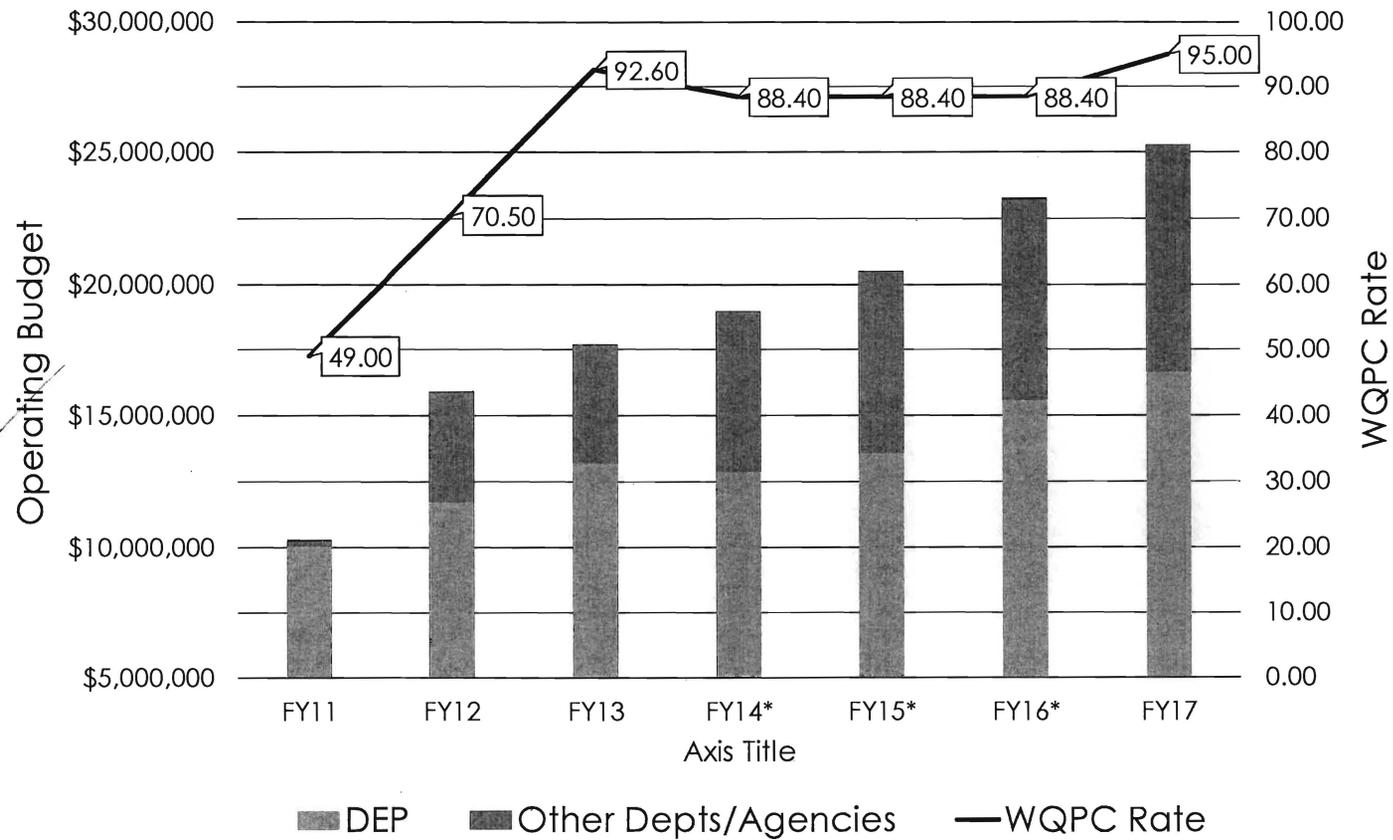


FY17 DEP Operating Budget Summary

(PC and OE)

Program Area	FY17 Budget	FTEs
SWMF Maintenance	\$6,058,470	6.06
SWMF Inspections	3,328,895	9.50
Water Quality Monitoring	1,508,967	12.07
Low-Impact Development: Residential	840,713	5.00
Lease Space @ 255 Rockville Pike	658,460	-
Stream Gauges	497,520	-
MS4 Outreach & Education Programs	482,012	2.70
Water Restoration Grant for Non-Profits	350,000	-
Targeted Streetsweeping	231,160	-
Prof Services for MS4 Support (Drainage Area Delineation)	223,960	-
Stream Restoration Maintenance	212,454	-
Motor Pool	239,266	-
Office of Sustainability (Tree Program)	160,913	1.00
Administration and Administrative Expenses	<u>1,740,696</u>	<u>12.04</u>
TOTAL	<u>\$16,533,486</u>	<u>48.37</u>

History of WQPF Operating Budget & WQPC Rate



* Note: The WQPC Rate remained constant FY14, FY15, and FY16 despite a budget increase as a result of the implementation of the new WQPC law which increased the number of ERUs (properties eligible for billing) over a three-year period.



The 6-year Funding Profile reflects WQPC rate increases up to 10% through FY21.

Fiscal Year	Projected Rate	Increase from Previous Year	Assumptions *
FY18	\$104.25	9.70%	<ul style="list-style-type: none"> • \$6.342M Debt Service • Increased Credits
FY19	\$114.70	10.00%	<ul style="list-style-type: none"> • \$11,581M Debt Service • Increased Credits
FY20	\$125.50	9.40%	<ul style="list-style-type: none"> • \$11,578M Debt Service • Increased Credits
FY21	\$136.25	8.60%	<ul style="list-style-type: none"> • \$15,581M Debt Service

* No increase in funds to non-DEP programs assumed

There is a nexus to water quality protection for some of the activities funding in other departments

- ▶ MNCPPC (FY 17 \$3,187,313)
 - ▶ Review of stormwater management concepts and plans
 - ▶ Inspection and enforcement activities
 - ▶ Planning, design and construction of stormwater management systems
 - ▶ Retrofitting developed areas for pollution control
 - ▶ Water quality monitoring and water quality programs
 - ▶ Operation and maintenance of facilities

- ▶ The WQPC funds are used by MNCPPC to implement their MS4 permit
- ▶ MNCPPC funds their CIP projects out of G.O. Bonds (P078701, P818571)

There is a nexus to water quality protection for some of the activities funding in other departments

► Memorandum of Understanding

- Drafted by Montgomery County, Maryland and M-NCPPC in 2013
- Establishes: (a) parameters for the use of WQPC funds by M-NCPPC; and (b) procedures for the annual disbursement of WQPC funds to M-MCPC by Montgomery County
- FY2012, Council Resolution No. 17-152, Item 9, allocated WQPC funds to M-NCPPC for the following activities: maintenance and management of water resources and swm facilities; compliance with M-NCPPC's NPDES Permit for Industrial Sites; compliance with M-NCPPC's NPDES MS4 Phase II Permit; SPA reviews and enforcement not covered by fees; developing (i.e., delineating) and monitoring stream valley buffers; review and enforcement of FCPs affecting M-NCPPC's stream valley buffers; and the preparation of water quality related sections of various plans.



There is a nexus to water quality protection for some of the activities funding in other departments

<p>Montgomery County, Maryland <i>*\$22,087,663 FY17 Operating Budget</i></p>	<ul style="list-style-type: none"> • Phase I – Large Jurisdiction MS4 • Industrial Site Permit (DOT, DGS, MCPS) 	<p>Individual</p>
<p>M-NCPPC, Department of Parks, Montgomery County <i>*\$2,817,413 FY17 Operating Budget</i></p>	<ul style="list-style-type: none"> • MS4 Phase II Permit - Small Jurisdiction • Industrial Site Permit (for 12 Park Maintenance Yards) 	<p>General</p>

- ▶ There are other Federal and State Agencies with Industrial Site Permits and NPDES MS4 Phase II Permits in Montgomery and Prince George's Counties:

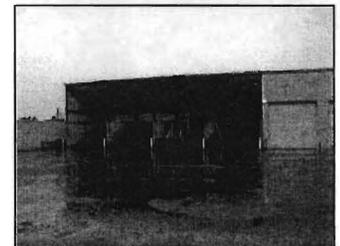
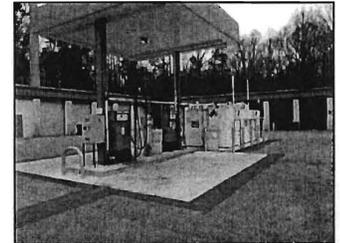


There is a nexus to water quality protection for some of the activities funding in other departments

M-NCPPC; Department of Parks' NPDES Industrial Site Permit

- ▶ Permits stormwater discharges associated with industrial activities at 12 park maintenance yards. Permit requires:
 - ▶ Development of a stormwater pollution prevention plan (SWPPP)
 - ▶ Runoff Management & Elimination of non-stormwater discharges
 - ▶ Annual Employee Training
 - ▶ Routine, Quarterly, and Annual Inspections
 - ▶ Minimization of Exposure
 - ▶ Good Housekeeping & Regular Maintenance
 - ▶ Implementation of Spill Response Procedures
 - ▶ Implementation of Erosion & Sediment Controls

***\$2,817,413 FY17 Operating Budget**



There is a nexus to water quality protection for some of the activities funding in other departments

M-NCPPC, Department of Parks' NPDES MS4 Phase II Permit

- Develop and implement Best Management Practices (BMPs) for six minimum control measures:
 - Personnel Education & Outreach
 - Public Involvement & Participation
 - Construction Site Runoff Control
 - Illicit Discharge Detection & Elimination (IDDE)
 - Post Construction Stormwater Management
 - Pollution Prevention & Good Housekeeping
- In addition, Parks Reviews stormwater management and stream restoration projects proposed by others on M-NCPPC parkland



***\$2,817,413 FY17 Operating Budget**



There is a nexus to water quality protection for some of the activities funding in other departments

M-NCPPC, Department of Planning

- Preparation of various water quality related elements in functional plans, area master plans, and sector plans
- Special Protection Area reviews and enforcement not covered by fees
- Delineation and monitoring of M-NCPPC's Stream Valley Buffers
- Review and enforcement of Forest Conservation Plans affecting M-NCPPC's stream valley buffers
- Participation in watershed planning, watershed restoration, and related studies

***\$369,900 Operating Budget**



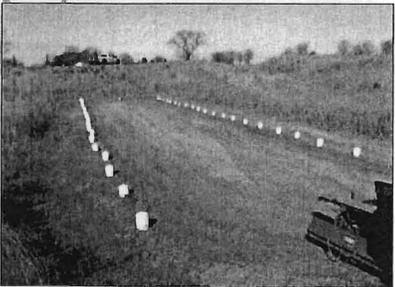
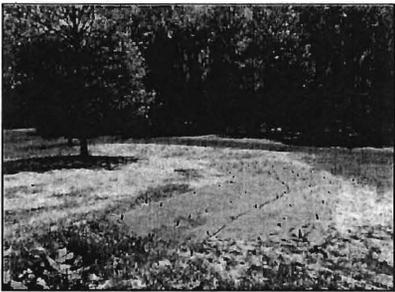
There is a nexus to water quality protection for some of the activities funding in other departments

Non-WQPC Funded Water Quality PDFs in the Parks CIP

- ▶ Parks requested CIP increases for FY17-22 for:
 - ▶ Pollution Prevention & Repairs to Ponds & Lakes (078701)
 - ▶ Stream Protection (818571)
- ▶ Currently, they are funded with GO Bonds and/or Current Revenue
- ▶ PHED questioned whether these two PDFs would qualify for Water Quality Protection funding
- ▶ PHED asked Parks to compare their PDFs to County water quality PDFs
- ▶ Council Action:
 - ▶ No increase
 - ▶ Maintain existing funding sources
 - ▶ Council to revisit Water Quality Protection funded projects county-wide in the fall



There is a nexus to water quality protection for some of the activities funding in other departments

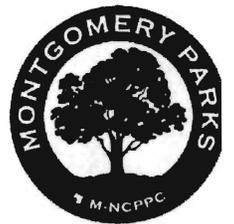


► **Pollution Prevention and Repairs to Ponds and Lakes (P078701)**

- Construct Pollution Prevention Measures (MS4 NPDES Phase II)
- Stormwater Pollution Prevention Plans and Notices of Intent at Maintenance Yards (NPDES Industrial Site Permit)
- Maintenance of farm ponds, lakes, constructed wetlands and dams not considered water quality facilities
- \$3.9 million (CR and GOB)

► **Stream Protection (P818571)**

- Corrective Improvements: stream channels, floodplains, and tributaries
- Stormwater management facility retrofits/enhancements
- \$3.6 million (GOB)



There is a nexus to water quality protection for some of the activities funding in other departments

- DOT (FY 17 \$4,015,638):
 - Storm drain maintenance activities include
 - Erosion repairs
 - Roadway ditches
 - Reseeding and resodding
 - Clean drainage systems
 - Drainage pipes
 - Catch basins
 - Other drainage maintenance
 - Storm drain cleaning activities are prioritized based on service requests from 311 (reactive approach). After service requests are met, proactive drain cleaning takes place focusing on hot spots
 - MS4 credit (138 Impervious Acres) is received for cleaning drainage systems and catch basin cleaning. This represents \$350k of the \$4,015,638

There is a nexus to water quality protection for some of the activities funding in other departments

- ▶ DOT (FY 17 \$350,000)
 - ▶ Streetsweeping of entire county following winter season. There are water quality improvements for sweeping after winter to remove salt and sand that is detrimental to streams.
 - ▶ Trash pickup can contribute to TMDL credits
 - ▶ Initial focus is on sweeping routes identified as environmentally sensitive. Streetsweeping that occurs in Rock Creek and Anacostia watershed provides TMDL credit

The Office of Finance Chargeback is for Administrative Costs

- ▶ Department of Finance charges the WQP Fund for bag tax collection and billing and collection of the WQPC on the property tax bill
- ▶ The chargeback for billing and collection of the WQPC was increased to be consistent with Treasury operations costs on a cost allocation basis
- ▶ Prior to FY 17, the chargeback was based on a charge of \$1 per billing instance, a discount from actual costs on a cost allocation basis
- ▶ For FY 17, the chargeback is based on a charge of \$2.70 per billing instance, which is in line with Treasury operations costs on a cost allocation basis

There is a nexus to water quality protection for some of the activities funding in other departments

- ▶ Soil Conservation District (\$323,051)
 - ▶ Equine Resource Conservationist and Resource Conservationist positions filled to insure that technical assistance is available to farmers
 - ▶ Increase awareness of conservation planning, nutrient trading and benefits of stream fencing
 - ▶ Exploring nutrient trading opportunities which may be used for MS4 credit in the future
 - ▶ Provide incentives to institute conservation plans and best management practices that address County WIP goals for the Ag. sector
 - ▶ Upgrade equipment and technology to assist farmers with conservation initiatives
 - ▶ Demonstrate to Ag. Sector their WQPC funds are benefitting rural communities (note only residential buildings on Ag. Properties are charged. FY 16 WQPC to Ag. properties \$130,199)

There is a nexus to water quality protection for some of the activities funding in other departments

- Agriculture Preservation Advisory Board requested consideration of WQPC funds (\$500k) to purchase easements on agricultural property with commitment from farmers to install further conservation practices – in exchange for credits under MS4 permit – based on nutrient trading
 - No current regulatory framework for trading credits from Agriculture to the stormwater sector
 - Not all agricultural properties are within MS4 permit area.
 - Credits discussed would be for up to 5 years
 - Water quality in Ag. Preserve is high quality
 - The proposed request could add \$1.30 to the WQPC

Points for Discussion

- The 6 Year Funding Profile for WQPC Fund (FY 17-22) does not assume future growth in payments/charges to other Departments. The 6 year profile shows close to 10% increase in WQP Charge
- MOUs are being put in place/revised to allow for continued dialogue and review between DEP and other agencies/departments
- Parks MS4 permit and County MS4 Permit have similar requirements

CE Recommended Fiscal Plan - April 2016

FY17-22 PUBLIC SERVICES PROGRAM: FISCAL PLAN	Water Quality Protection Fund						
FISCAL PROJECTIONS	FY16 Estimate	FY17 CE REC	FY18 PROJECTION	FY19 PROJECTION	FY20 PROJECTION	FY21 PROJECTION	FY22 PROJECTION
ASSUMPTIONS							
Indirect Cost Rate	15.98%	16.45%	16.45%	16.45%	16.45%	16.45%	16.45%
CPI (Fiscal Year)	0.81%	1.8%	2.3%	2.5%	2.7%	2.7%	2.7%
Investment Income Yield	0.35%	0.50%	1.00%	1.50%	2.50%	2.50%	3.00%
Number of Equivalent Residential Units (ERUs) Billed	372,369	368,355	368,355	368,355	368,355	368,355	368,355
Water Quality Protection Charge (\$/ERU)	\$88.40	\$95.00	\$104.25	\$114.70	\$125.50	\$136.25	\$138.50
Collection Factor for Charge	99.5%	99.5%	99.5%	99.5%	99.5%	99.5%	99.5%
BEGINNING FUND BALANCE	13,221,064	5,702,695	1,738,360	1,846,256	1,657,663	1,831,410	1,837,147
REVENUES							
Charges For Services	32,351,518	34,530,616	37,892,045	41,690,438	45,613,918	49,515,696	50,480,680
Bag Tax Receipts	2,400,000	2,280,000	2,166,000	1,949,400	1,754,460	1,579,020	1,421,120
Miscellaneous	263,790	291,130	382,260	473,390	564,520	655,650	746,780
Subtotal Revenues	35,015,308	37,101,746	40,440,305	44,113,228	47,932,898	51,750,366	52,648,580
INTERFUND TRANSFERS (Net Non-CIP)							
Transfers To General Fund	(4,350,760)	(7,798,971)	(7,774,011)	(13,000,570)	(12,997,010)	(17,000,260)	(17,000,510)
Indirect Costs	(1,330,510)	(1,431,071)	(1,431,761)	(1,418,610)	(1,418,610)	(1,418,610)	(1,418,610)
Telecommunications Charge	0	(13,151)	(13,151)	0	0	0	0
Transfers to Debt Service Fund (Non-Tax)	(3,020,250)	(6,367,900)	(6,342,250)	(11,581,960)	(11,578,400)	(15,581,650)	(15,581,900)
TOTAL RESOURCES	43,885,612	35,005,470	34,404,654	32,958,914	36,593,551	36,581,516	37,485,217
CIP CURRENT REVENUE APPROPRIATION							
PSP OPER. BUDGET APPROP/ EXP'S.	(13,126,000)	(7,986,000)	(5,413,000)	(3,852,000)	(5,783,000)	(3,839,000)	(3,918,000)
Operating Budget	(21,958,808)	(25,281,110)	(25,824,526)	(26,650,036)	(27,557,576)	(28,498,446)	(29,473,976)
FFI - Labor Agreement	0	0	(60,927)	(60,927)	(60,927)	(60,927)	(60,927)
FFI - Maintenance of New and Newly Transferred Facilities	0	0	(71,000)	(71,000)	(71,000)	(71,000)	(71,000)
FFI - Operating Impacts of CIP Projects	0	0	(1,124,000)	(552,000)	(1,124,000)	(2,059,000)	(1,830,000)
FFI - Building Rent Escalation	0	0	(14,945)	(15,288)	(15,638)	(15,996)	(15,996)
FFI - Program Growth	0	0	(50,000)	(100,000)	(150,000)	(200,000)	(250,000)
Subtotal PSP Oper Budget Approp / Exp's	(21,958,808)	(25,281,110)	(27,145,398)	(27,449,251)	(28,979,141)	(30,905,369)	(31,701,899)
OTHER CLAIMS ON FUND BALANCE	(3,098,109)	0	0	0	0	0	0
TOTAL USE OF RESOURCES	(38,182,917)	(33,267,110)	(32,558,398)	(31,301,251)	(34,762,141)	(34,744,369)	(35,619,899)
YEAR END FUND BALANCE	5,702,695	1,738,360	1,846,256	1,657,663	1,831,410	1,837,147	1,865,318
END-OF-YEAR RESERVES AS A PERCENT OF RESOURCES							
	13.0%	5.0%	5.4%	5.0%	5.0%	5.0%	5.0%
NET REVENUE	10,622,491	10,389,565	11,863,146	15,245,367	17,535,147	19,426,387	19,528,071
DEBT SERVICE COVERAGE RATIO	3.52	1.63	1.87	1.32	1.51	1.25	1.25

Assumptions:

1. These projections are based on the County Executive's Recommended budget and include the revenue and resource assumptions of that budget. The projected future expenditures, revenues, and fund balances may vary based on changes to fee or tax rates, usage, inflation, future labor agreements, and other factors not assumed here.
2. Stormwater facilities transferred into the maintenance program will be maintained to permit standards as they are phased into the program.
3. Operating costs for new facilities to be completed or transferred, Operating Budget Impacts of Stormwater CIP projects, and Program Growth between FY18 and FY22 have been incorporated in the future fiscal impact (FFI) rows.
4. The operating budget includes planning and implementation costs for compliance with the Municipal Separate Storm Sewer System (MS-4) permit issued by the Maryland Department of the Environment in February 2010. Debt service on bonds that will be used to finance the CIP project costs of MS-4 compliance has been shown as a transfer to the Debt Service Fund. The Department of Finance issued \$37.8 million in Water Quality Protection Charge Revenue Bonds dated July 18, 2012 (Series 2012A). The actual debt service costs for the Series 2012A bond issuance and projected debt service for bond issuances (\$41 million in FY2016, \$65 million in FY2018 and a \$50 million bond issuance in FY2020) are included in the fiscal plan. Actual debt service costs may vary depending on the size and timing of future bond issues. Current revenue may be used to offset future borrowing requirements. Future WQPC rates are subject to change based on the timing and size of future debt issuance, State Aid, and legislation.
5. Charges are adjusted to fund the planned service program and maintain net revenues sufficient to cover 1.25 times debt service costs.
6. Current Water Quality Protection fund balance policy target is at least 5% of resources.