

**Briefing**

**MEMORANDUM**

September 7, 2022

TO: Transportation & Environment Committee

FROM: Keith Levchenko, Senior Legislative Analyst

SUBJECT: **Briefing:** Sewer Extension Needs for Unserved & Underserved Neighborhoods:  
Final Recommendations of Bi County Infrastructure Working Group

Attachments to this Memorandum

- Briefing Slides on the Bi County Infrastructure Working Group Report (©1-21)<sup>1</sup>

Expected Participants

- Joe Beach, Deputy Director of Administration, Washington Suburban Sanitary Commission (WSSCWater)
- Steve Shofar, Chief, Intergovernmental Affairs Division, Department of Environmental Protection (DEP)
- Alan Soukup, Senior Planner, Intergovernmental Affairs Division, DEP
- Jay Sakai, Principal, 4Tenets Consulting, LLC

On November 17, 2021, a Bi-County Infrastructure Working Group (see list of members on ©4) presented its [report](#) with recommendations to the WSSC Water Commissioners for changes to the current sewer extension process for properties within the planned sewer envelopes in Montgomery and Prince George's counties. The Prince George's Council received a similar briefing on January 11, 2022.

Council Staff, along with Mr. Beach and Mr. Sakai will provide a briefing to the T&E Committee on the Working Group Report. Other working group members, including WSSCWater and DEP staff will be available to answer questions.

**Background**

The report looks at the sewer extension process for residential properties located within the planned sewer service envelopes in both Montgomery and Prince George's counties. Currently there are approximately 4,000 properties in unserved or underserved areas which, based on area master plans and

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<sup>1</sup>The Working Group's full report is available on the WSSCWater website [here](#).

Water and Sewer Plan policies, are within planned sewer service areas and eligible for (and intended to be served by) public sewer service. For purposes of the Working Group report, unserved communities include properties that are at least 1,500 feet from the nearest sewer main, while underserved communities may include some connected properties but other properties in that community require a sewer extension of at least 200 feet to connect.

The Working Group found that the current extension cost process is unaffordable for most residential properties; with costs to extend sewer often in the tens of thousands or even hundreds of thousands of dollars.<sup>2</sup> Additionally, a property owner must pay substantial on-site plumbing costs, and WSSC Water connection charges.

Exacerbating the problem is that extension costs (for lines which in many cases can serve multiple properties) are borne only by the applicant(s). Other properties which may abut the new main, can choose not to apply and then connect later with no requirement to contribute to the extension costs.

As a result of this affordability issue, requests from properties within the planned sewer envelope to connect to public sewer are rare. Even in cases of documented septic failures, some property owners have opted to utilize holding tanks and frequent system pump outs because of the high costs to extend and connect to public sewer.<sup>3</sup>

Documented septic system failures and aging systems within areas intended to be served by public sewer remain unaddressed with potential public health and environmental implications exacerbated as time goes on. Low- and moderate-income residents in both counties are especially impacted by the current extension cost process. As the report notes, “the lack of affordable options is inconsistent with both counties’ efforts to promote sustainability and social justice throughout their jurisdictions.”

The Working Group Report includes eight recommendations (see ©15-16) which fall into two main categories:

1. **Subdistricts:** The report recommends the creation of subdistricts to define areas to be served by new sewer extensions. All properties within a subdistrict would benefit from an extension and would be assessed their share of extension costs (and contribute either when the extension is constructed or when a property chooses to connect).
2. **Affordability:** The report recommends a new pay as you go funding process that would cap the maximum amount property owners within a subdistrict would pay to make the costs more affordable to all property owners within that subdistrict. Additional assistance beyond the cap is recommended to be targeted for those property owners who meet financial hardship criteria. The balance of costs would be covered by a combination of revenue sources potentially including: WSSC Water rate revenue or a new WSSC Water fixed fee, contributions from both counties, and State of Maryland Bay Restoration Fund dollars.

### Next Steps

A proposed implementation plan is presented on ©19. This plan involves identifying potential target communities that would be good candidates as subdistricts under this new process, creating the

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<sup>2</sup> The report notes that typical sewer extensions can cost up to \$700 per linear foot.

<sup>3</sup> While WSSC Water has a “health hazard” subsidy in place to assist homeowners with failing septic systems, in practice, this subsidy (which is capped at no more than \$15,000 and is often less in practice) is not sufficient to offset current extension costs.

subdistrict process and identifying the sources of funding to be used to cover the up-front costs and subsidies under this new program.

Both counties will need to create a process for the identification and creation of subdistricts for these future sewer extensions. These efforts can be tailored to each county to fit within each County's particular circumstances and priorities. Both counties already have authority under State law to create these subdistricts. However, how these subdistricts would be established (such as the details of a petition process) and how subdistricts would be prioritized for future funding would need to be developed.

In Montgomery County, the effort to identify potential target communities to become subdistricts in this new program is best led by DEP and can be based on existing data on neighborhoods within the planned sewer service envelope which have failed and/or aging/at-risk septic systems. However, the prioritization criteria for creating subdistricts should be developed through a collaborative process involving the Executive Branch and County Council.

The T&E Committee will be discussing a comprehensive update to the County's Ten-Year Water and Sewer Plan on September 12, 2022 and again on October 3, 2022 and the topic of creating sewer extension subdistricts in the planned sewer envelope can be further discussed at that time and at subsequent meetings.

The Report identifies several potential funding options to create a dedicated source of revenue for this program. These funding sources could include some combination of: WSSCWater rate revenue, a new WSSCWater fee, and/or direct support from both counties.<sup>4</sup> State Bay Restoration funding is also available to help subsidize the conversion of properties from septic to public sewer and the report assumes that these funds would be utilized when available.

Since the funding approach for this new program would need to be uniform across both counties, Council Staff suggests that the T&E Committee meet with its counterpart Prince George's Council Committee (the Transportation, Infrastructure, Energy and Environment (TIEE) Committee to discuss the various funding options. Whatever funding options are ultimately pursued, both Councils will need to support expenditures in future County and/or WSSCWater budgets to provide the necessary funding to extend public sewer to future subdistricts. The pace of work done in this program will depend on this approved funding.

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<sup>4</sup> WSSCWater legal staff have noted that a new fee and/or utilizing rate revenue to pay for and/or subsidize the cost of new sewer extensions would require enabling State legislation.

# Sewer Extension Needs for Unserved & Underserved Neighborhoods

## Final Recommendations of Bi-County Infrastructure Working Group



# Agenda

- Workgroup status update
- 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
- Proposed Implementation Plan
- Conclusions

# Current Status Update

# 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



# 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 a 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 <sup>(1)</sup>	\$ 108,820	\$ 84,920
2% Affordability Threshold <sup>(2)</sup>	\$ 2,176	\$ 1,698
Estimated Annual Sewer Service Cost <sup>(3)</sup>	\$ 551	\$ 551
Available for Sewer Extensions	\$ 1,625	\$ 1,147

<sup>1</sup> 2015-2019 American Community Survey 5-Year Estimates, US Census Bureau.

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

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

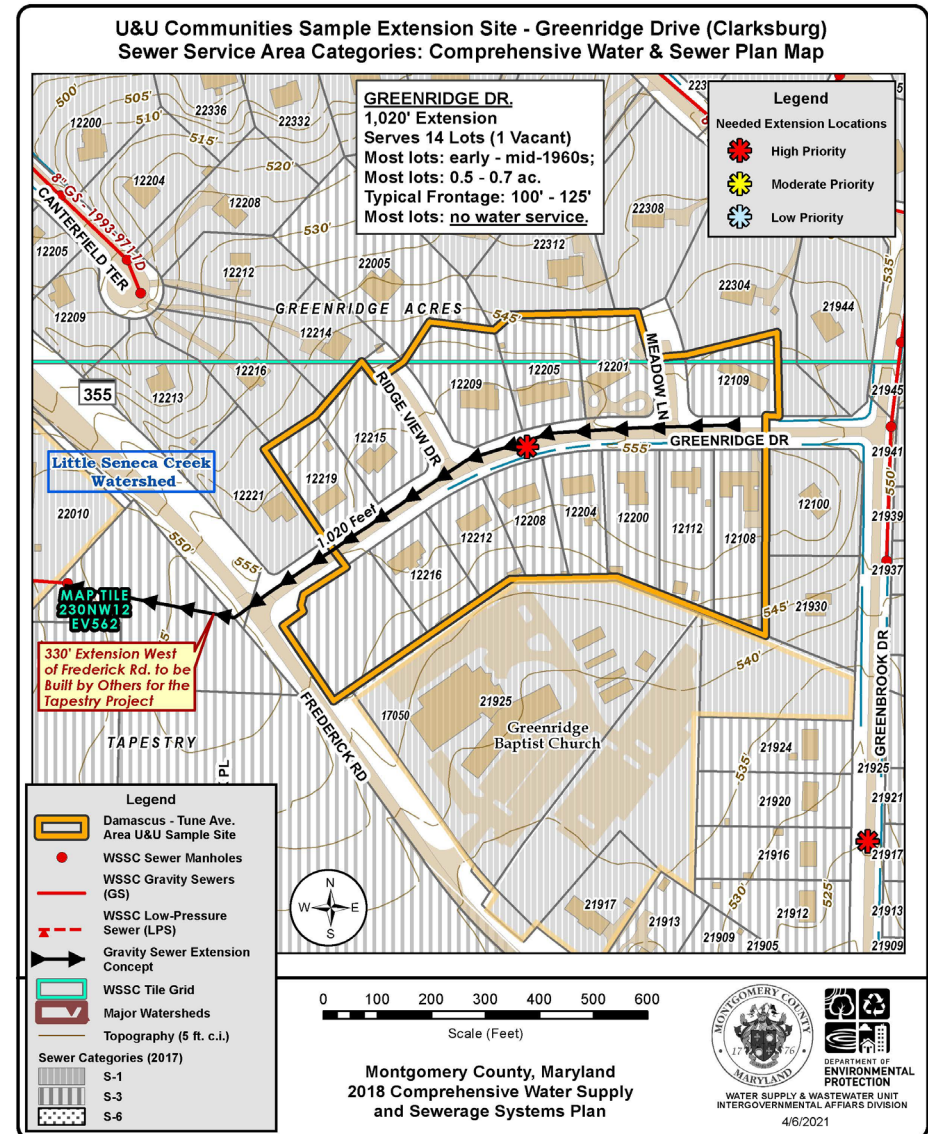
# Example of Unserved Community

- 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

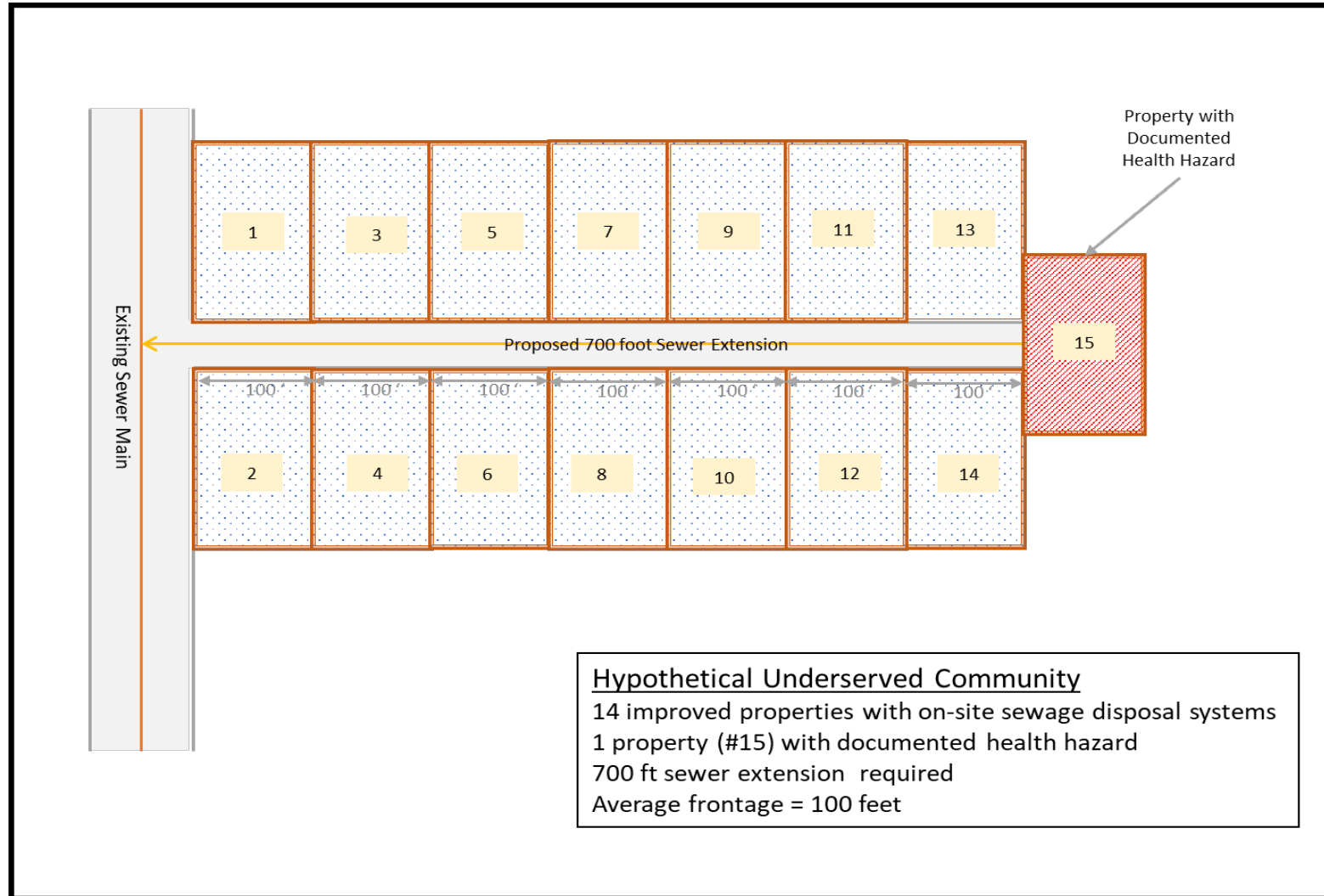


# Example of Underserved Community

- 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

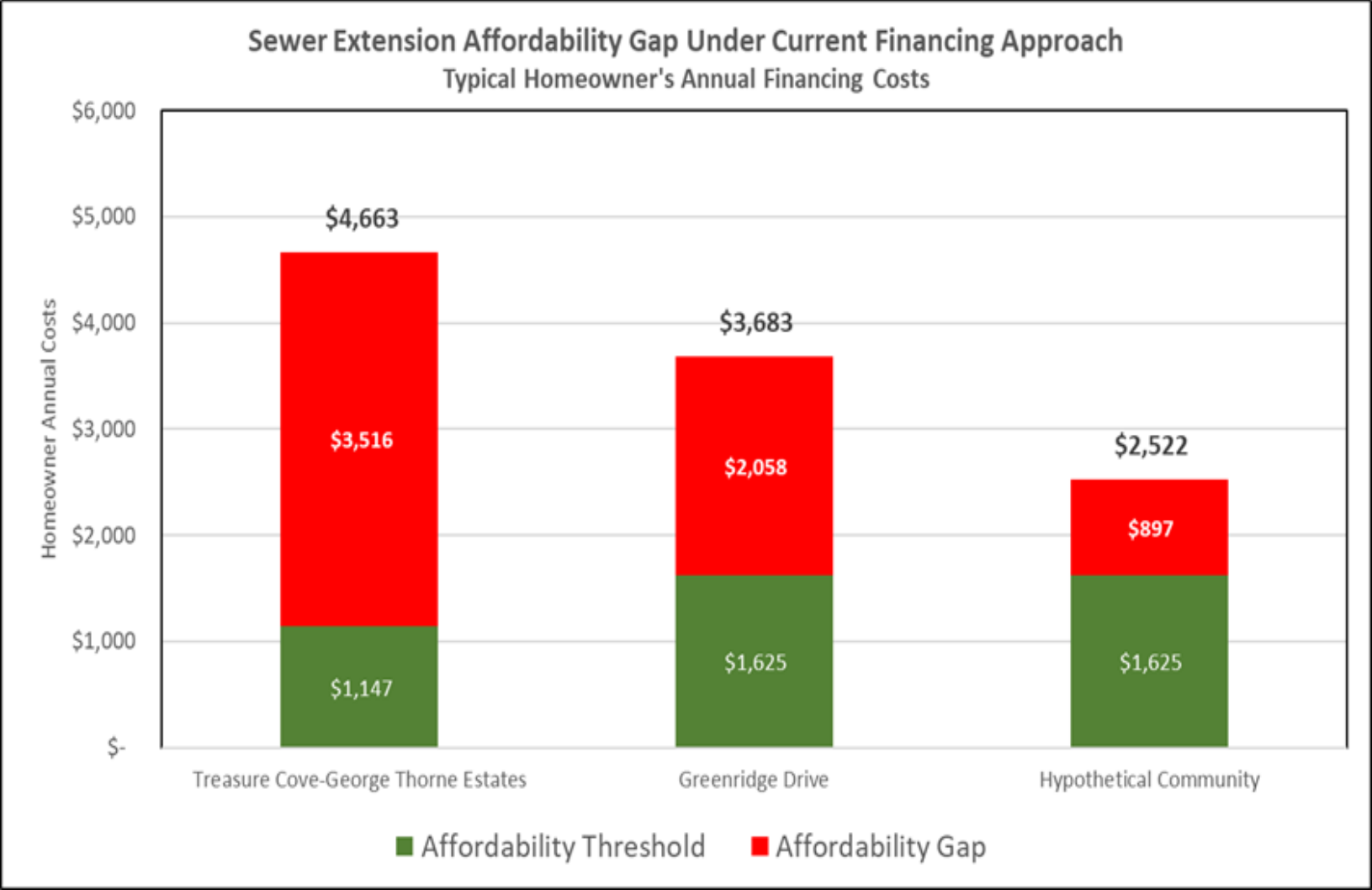




# Homeowner Cost Under Current Financing

Hypothetical Community		
Project Cost	\$ 534,800	700 feet @ 694 per ft
Projected Front Foot Benefit Income <sup>(1)</sup>	\$ 176,404	1500. ft. of frontage @\$6. per foot
Unadjusted Health Hazard Subsidy <sup>(2)</sup>	\$ 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 <sup>(3)</sup>	\$ 22,129	14 properties
One-Time Up-Front Costs for sewer connection, plumbing, septic system abandonment	\$ 15,550	
<b>Total Cost of Connection per Homeowner</b>	<b>\$49,439</b>	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
<b>Total Annual Cost</b>	<b>\$ 2,522</b>	
County Affordability Threshold	\$ 1,625	
Exceeds Affordability Threshold	\$897	
<b>Project Funding Gap <sup>(4)</sup></b>	<b>\$246,124</b>	

# 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

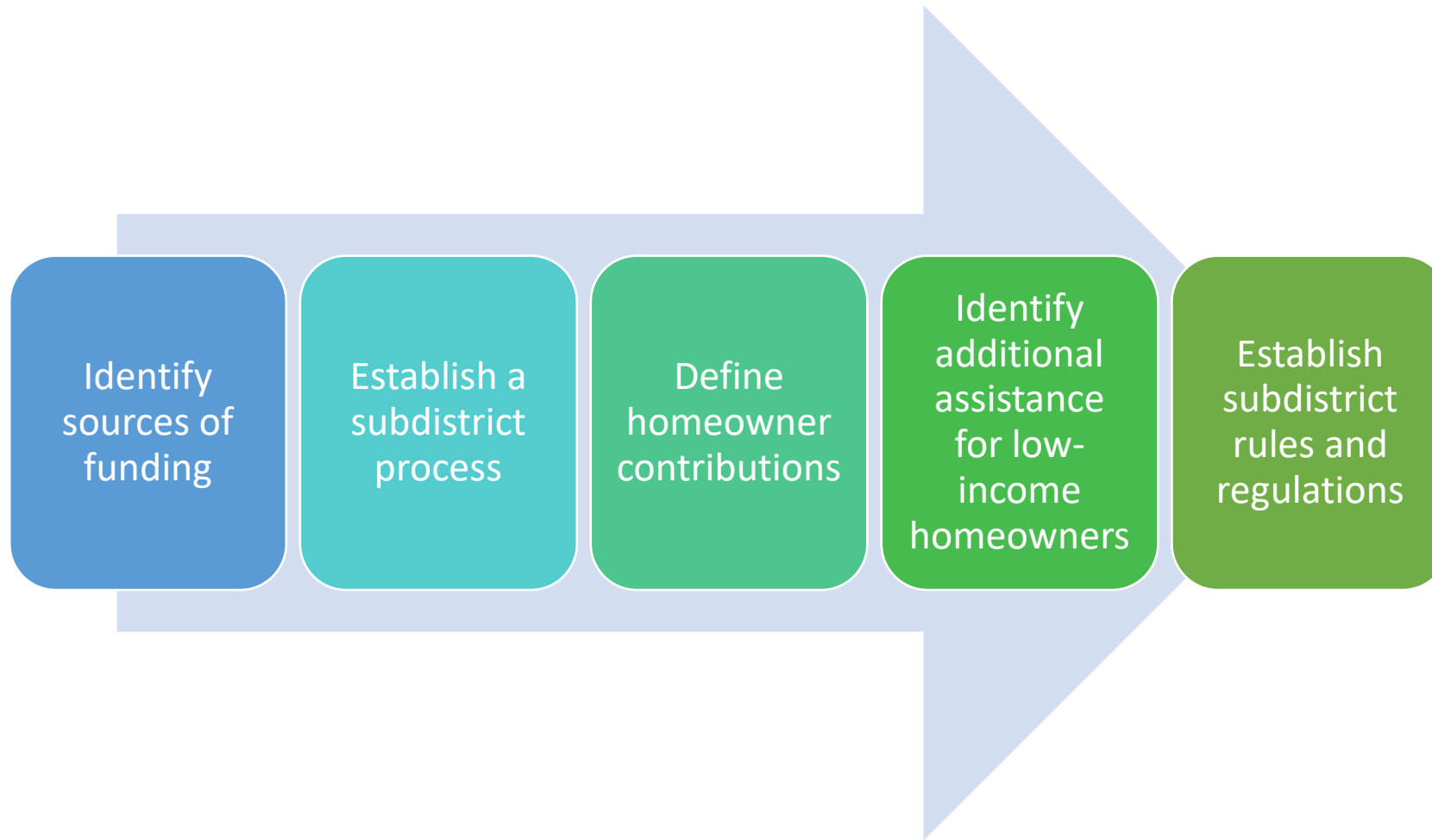
# Recommendations Continued

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





# Proposed Implementation Plan

- **Task 1** – Identify potential target communities that would be potential candidates for sewer extensions under an improved system of financing. Duration: 3-6 months.
- **Task 2** - Develop a process to define sewer service subdistricts within target communities and determine which homes will connect to the public sewer system. Duration: 18 months.
- **Task 3** - Identify sources of funding to increase public subsidies for sewer extension projects. Duration: 12-18 months.
- **Task 4** - Develop and promulgate program rules and regulations. Duration: 6 – 9 months.
- **Task 5** - Initiate a pilot program to refine how the project planning and project execution phases will be coordinated between WSSC Water, County agencies, and community representatives. Duration: 36 -60 months.



# 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

# Questions?

