



CECIL COUNTY, MARYLAND

DEPARTMENT OF FINANCE

FISCAL NOTE

SUMMARY OF LEGISLATION

SPONSOR: Council President Bowsbey at the request of the County Executive

RESOLUTION NO. 28-2018 – USER RATES – CECIL COUNTY WASTEWATER ENTERPRISE FUND

Synopsis: A Bill to establish fees and rates for the Cecil County Wastewater Enterprise Fund for the second quarter beginning October 1, 2018.

FISCAL IMPACT SUMMARY: The approval of this bill will have a net fiscal impact on the Cecil County Wastewater Enterprise Fund of \$825,000 for FY2019.

FISCAL ANALYSIS:

The Wastewater Enterprise Fund by definition, has the ability to charge fees to the users of the service in order to pay for the expenses incurred by providing that service. The Cecil County Wastewater Enterprise Fund ended FY2017 with an advance from the General Fund in the amount of \$3,282,676. The rates charge by the Fund are not sufficient to cover the cost of operating the County's Wastewater System. The rate charged to the user should support the operating costs as well as build a reserve to have the ability to maintain and replace any and all Wastewater assets. Previous Councils and Commissioners have found it difficult to set the rates to a level sufficient enough to cover operating expenses, let alone allow the fund to establish a replacement reserve.

It's the County Executive's directive to expand sewer infrastructure in Cecil County to spark new Economic Development. However, with an enterprise that is already operating at a loss, the fund cannot continue to operate at a deficit and undermine the resources of the General Fund. The consequences of continuing to operate the Wastewater Fund at a loss will eventually erode the County's bond rating and as a result, the County will have to bear even more expense when borrowing money to build schools, bridges and wastewater infrastructure.

A review of the attached chart shows the history of Wastewater rates since July of 1990. The lack of rate change between the years of 1996 and 2005 (yes, 9 years of no change in the user fee) illustrates the political pressure on the Board of County Commissioners to yield to the constituents instead of the prioritizing the business needs of the Wastewater Enterprise Fund.

Wastewater User Rates - 07/01/1990 - 07/01/2020					
Effective Dates			Sewer	Unmetered	Cost
From	To	Rate		Flat	per
				Gallons	Quarter
7/1/1990	7/1/1991	3.00	per 1,000 gallons	15,000	45.00
7/1/1991	4/1/1996	3.30	per 1,000 gallons	15,000	49.50
4/1/1996	1/1/2005	4.44	per 1,000 gallons	15,000	66.60
1/1/2005	7/1/2007	4.89	per 1,000 gallons	15,000	73.35
7/1/2007	1/1/2010	6.11	per 1,000 gallons	15,000	91.65
1/1/2010	7/1/2011	7.03	per 1,000 gallons	15,000	105.45
7/1/2011	7/1/2013	8.44	per 1,000 gallons	15,000	126.60
7/1/2013	7/1/2014	8.93	per 1,000 gallons	15,000	133.95
7/1/2014	7/1/2015	9.45	per 1,000 gallons	15,000	141.75
7/1/2015	7/1/2016	9.73	per 1,000 gallons	15,000	145.95
7/1/2016	7/1/2017	10.02	per 1,000 gallons	15,000	150.30
7/1/2017	10/1/2018	10.32	per 1,000 gallons	15,000	154.80
10/1/2018	7/1/2019	11.87	per 0-100,000 gallons	15,000	178.05
10/1/2018	7/1/2019	12.38	per 100,001-max gallons	15,000	178.05
7/1/2019	7/1/2020	13.65	per 0-100,000 gallons	15,000	204.75
7/1/2019	7/1/2020	14.86	per 100,001-max gallons	15,000	204.75
7/1/2020		15.70	per 0-100,000 gallons	15,000	235.50
7/1/2020		17.83	per 100,001-max gallons	15,000	235.50

The increase presented in the resolution changes the rate structure previously used by the County. It establishes a new minimum billing rate from 10,000 gallons to 9,000 gallons. Currently the County has 5,931 sewer accounts, of which 50% of the metered accounts use less than 9,000 gallons. This change in the minimum will allow those customers to pay less and the 1% of customers that have flows greater than 100,000 per quarter will pay more for County wastewater services.

The County Executive's plan for increased sewer infrastructure in the growth corridor will add new users to the Wastewater System. The additional users will share in the costs associated with the fund. If there is not support for the rate increase that is well overdue, the growth of wastewater infrastructure will be in jeopardy.