



### COMMISSION SUMMARY

**AGENDA CATEGORY:** Finance Office

**ITEM NUMBER:**

**DATE:** January 27, 2021

<b>SUBJECT</b>	Water Connection Pipe Emergency Replacement Loan Program Annual Report for the Year Ended June 30, 2020
<b>SUMMARY</b>	WSSC Water established the Water Connection Pipe Emergency Replacement Loan Program as authorized by the Public Utilities Article of the Annotated Code of Maryland to be effective 7/1/19. The Loan Program provides loans to eligible customers to finance the replacement of leaking pipes located on residential property that connect from the Commission's service connection to the residence. Chapter 5.110 of WSSC Water's Regulation requires that an Annual Report be prepared and presented to the Commissioners. The Annual Report for the year ended June 30, 2020 is attached.
<b>SPECIAL COMMENTS</b>	
<b>CONTRACT NO./ REFERENCE NO.</b>	N/A
<b>COSTS</b>	The legislation requires an annual budget of \$100,000 per year for the Loan Program for FY 2020 through FY 2029.
<b>AMENDMENT/ CHANGE ORDER NO. AMOUNT</b>	N/A
<b>MBE PARTICIPATION</b>	N/A
<b>PRIOR STAFF/ COMMITTEE REVIEW</b>	Carla A. Reid, GM/CEO <sup>DS</sup> CR Joseph F. Beach, DGM-Administration <sup>DS</sup> JB Patricia A. Colihan, CFO <sup>DS</sup> PC
<b>PRIOR STAFF/ COMMITTEE APPROVALS</b>	
<b>RECOMMENDATION TO COMMISSION</b>	
<b>COMMISSION ACTION</b>	



# **Water Connection Pipe Emergency Replacement Loan Program**

## **Annual Report**

**For the Year Ended June 30, 2020**

### **Program Background:**

WSSC Water established the Water Connection Pipe Emergency Replacement Loan Program (the “Program”) as authorized by the Public Utilities Article of the Annotated Code of Maryland Section 23-205. This program was effective July 1, 2019 in accordance with Resolution No. 2019-2218 and Chapter 5.110 of WSSC Water’s Regulations both adopted on April 17, 2019.

The purpose of the Program is to provide loans to eligible customers to finance the replacement of leaking pipes located on residential property that connect from the Commission’s service connection to the residence. The annual budget for the program is \$100,000 per year, and the Program is to run from FY 2020 through FY 2029. Funds remaining at the end of a fiscal year are returned to WSSC Water.

### **Key Components of the Program:**

- The maximum loan amount is \$5,000 and is to be directly disbursed to a licensed plumber.
- The interest rate for new loans will be set annually each July 1 based on the Prime Rate as of that date less 100 basis points.
- If payment is made by payroll deduction, an additional 50 basis point reduction will be applied.
- The interest rate floor is 4.50% or 4.00% with payroll deduction.
- Liens are placed on the residential properties.
- Loan terms are 12 to 60 months.
- To be eligible for a loan, residential customers must have been notified by a WSSC Water 30-day leak letter, receive two quotes from licensed plumbers and meet other criteria.

The Program is administered by the WSSC Federal Credit Union (the “Credit Union”) in accordance with a Memorandum of Understanding between the Credit Union and WSSC Water. WSSC Water transmitted \$25,000 each quarter to the Credit Union to hold in the Loan Fund. WSSC Water’s Chief Financial Officer is responsible for the Program and for providing this Annual Report on the results of the Program.

### **Program Results:**

Even though the Program was well advertised, the Program had very limited use. Only one loan was processed during FY 2020. Below are the Program results as required to be reported by the Regulation.

#### **1) The number and dollar amount of loans outstanding at July 1:**

There is one loan outstanding at July 1, 2020 for an amount of \$2,444,36.

#### **2) The annual funding amount:**

The amount funded in FY 2020 was \$100,000.

#### **3) The number of loans and the dollar amount of loans:**

One loan was processed in FY 2020 in the amount of \$3,000.00.

#### **4) The principal, interest and penalties paid during FY 2020:**

The principal and interest paid totaled \$555.64 and \$73.06, respectively. No penalties were charged or paid.

#### **5) Interest earned on the funds remaining in the loan fund:**

Interest earned by WSSC Water on the funds remaining in the loan fund totaled \$82.95.

#### **6) The June 30 ending balance of the loan fund:**

At June 30, 2020, the Loan Fund had \$97,000 remaining. It was returned to WSSC Water and a new \$100,000 of funding became available for the Program for FY 2021.

#### **7) The number and dollar amount of loans in default.**

There were no loans in default.

## **Recommendations:**

Given the limited use of the Program, the Chief Financial Officer convened a small group including Jeffery Goff, WSSC Federal Credit Union Executive Director; Charles Brown, Communications Director; Crystal Lee-Knight, Customer Service Director; Karyn Riley, Intergovernmental Relations Office Director and other key staff; to obtain customer feedback and suggestions to increase participation in the Program.

In addition, as discussed at the December Commission Meeting the General Manager is proposing that in the future any unspent Program proceeds that are returned to WSSC Water be subsequently transferred to the WSSC Water Fund to support low income customers struggling to pay their water bill.