

SENATE BILL 684

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By: **Senators Peters and Muse**

Introduced and read first time: February 4, 2011

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Washington Suburban Sanitary Commission – Maturity of Bonds – Limitation**
3 **on Time Period for Assessment and Collection of Benefit Charges**

4 FOR the purpose of altering the terms of sanitary district bonds and refunding bonds
5 that may be issued by the Washington Suburban Sanitary Commission to
6 decrease the number of years that a bond may mature from the date of issuance;
7 requiring certain information regarding the number of payments of a benefit
8 charge to be printed on property tax bills in Prince George’s County and
9 Montgomery County; prohibiting the Commission from assessing a benefit
10 charge against certain real property for longer than a certain number of years
11 under certain circumstances; prohibiting the Commission from recalculating or
12 increasing any benefit charge assessed against property because of a reduction
13 of the revenues collected by the Commission as a result of this Act; prohibiting
14 the Commission from assessing a benefit charge for longer than a certain
15 number of years against any new residential real property constructed in Prince
16 George’s County or Montgomery County on or after a certain date; requiring the
17 Commission to use money in a certain bond fund to offset any reduction in
18 revenues collected by the Commission as a result of this Act; providing that a
19 property owner against whose property a benefit charge has been assessed by
20 the Commission for a certain number of immediately preceding years shall be
21 deemed as having paid the benefit charges in full; and generally relating to
22 bonds issued and benefit charges assessed and collected by the Washington
23 Suburban Sanitary Commission.

24 BY repealing and reenacting, with amendments,
25 Article – Public Utilities
26 Section 22–102, 22–114, and 25–214
27 Annotated Code of Maryland
28 (2010 Replacement Volume)

29 BY adding to

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Article – Public Utilities
2 Section 25–215
3 Annotated Code of Maryland
4 (2010 Replacement Volume)

5 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
6 MARYLAND, That the Laws of Maryland read as follows:

7 **Article – Public Utilities**

8 22–102.

9 (a) The Commission may issue bonds of the sanitary district in amounts
10 necessary to carry on its work, including for:

11 (1) acquisition, design, construction, reconstruction, establishment,
12 extension, enlargement, or condemnation of the water and sewer systems in the
13 sanitary district or in an area where extension of the systems may be authorized by
14 law;

15 (2) acquisition of land or equipment for, or construction, remodeling,
16 enlargement, or replacement of any office or operating building necessary to
17 administer or operate the systems; or

18 (3) design and construction of trunk sewers and sewers or portions of
19 sewer lines required to relieve septic tank failures and for which no front foot benefit
20 charges can be collected as determined by the Commission, and sewage pumping
21 stations and sewage disposal facilities, including reimbursement to the District of
22 Columbia or other federal authorities for any construction within the District of
23 Columbia.

24 (b) (1) The Commission may issue bonds of the sanitary district for the
25 acquisition of capital equipment in amounts necessary to carry on its work, including:

26 (i) computer equipment;

27 (ii) laboratory equipment;

28 (iii) maintenance field and yard equipment;

29 (iv) office equipment;

30 (v) telecommunication equipment; and

31 (vi) trucks and fleet vehicles.

32 (2) The bonds may be issued only to finance the acquisition of
33 equipment:

- 1 (i) with a useful life of 4 to 7 years;
- 2 (ii) that the Commission expects to finance over a period of 4
3 years or less; and
- 4 (iii) for which the Commission budgets accordingly.

5 (3) The principal of the bonds issued under this subsection shall be
6 payable annually beginning not more than 1 year after the date of issue.

7 (4) The bonds issued under this subsection shall mature not more
8 than 4 years after the date of issue.

9 (5) The aggregate amount of bonds issued under this subsection
10 outstanding at any time may not exceed \$15,000,000, subject to annual upward
11 adjustment in accordance with the Consumer Price Index – All Urban Consumers
12 (CPI-U), for the Washington, DC–MD–VA metropolitan area, over the base year 1997.

13 (c) Except as otherwise provided in this section, bonds issued under this
14 section shall be issued as serial bonds with the principal payable annually, beginning
15 no later than 3 years from the date of issue.

16 (d) (1) The bonds shall:

- 17 (i) be issued in denominations determined by the Commission;
- 18 (ii) bear interest annually at rates the Commission determines
19 to be advantageous to the sanitary district and in the public interest; and
- 20 (iii) mature no later than **[40] 20** years from the date of issue.

21 (2) The bonds may be:

- 22 (i) registered or coupon bonds; or
- 23 (ii) registrable as to principal with interest represented by
24 coupons.

25 (3) The interest on the bonds shall be payable semiannually.

26 (e) (1) Notwithstanding any other provision of law, the Commission may
27 issue bonds that have a maturity of more than 1 year as fully registered bonds without
28 coupons.

29 (2) The Commission may determine the form of the bonds issued
30 under paragraph (1) of this subsection for the purposes of:

1 (i) qualifying the interest on the bonds for exemption from
2 federal income tax; and

3 (ii) conforming to standards and practices for the registration
4 and transfer of bonds generally followed by banks and trust companies acting as
5 registrars and transfer agents of bonds, including:

6 1. signing of bonds by facsimile signatures of
7 Commission officers;

8 2. authentication of bonds by the manual signature of an
9 officer of a bank or trust company signing as the registrar or transfer agent;

10 3. maintenance by registrars or transfer agents of
11 records of owners of bonds;

12 4. complying with the standard record date system for
13 payment of interest;

14 5. issuing bonds on the basis of book entries and
15 certificates; and

16 6. complying with requirements for the form of bond
17 that is acceptable to central depositories used in the marketing and trading of
18 municipal bond issues.

19 (f) The bonds of the sanitary district or of the Commission are forever
20 exempt from taxation by the State and counties and municipalities in the State.

21 (g) The bonds may be made redeemable before maturity at the option of the
22 Commission at the prices and under terms and conditions that the Commission sets
23 before the bonds are issued.

24 22-114.

25 (a) The Commission may borrow money and issue refunding bonds to refund
26 bonds issued and outstanding by the Commission if:

27 (1) the county executives and county councils of Montgomery County
28 and Prince George's County approve the plan for the issuance of refunding bonds; and

29 (2) the Commission determines that issuing refunding bonds will
30 result in total savings in debt service costs, directly or through any debt restructuring.

31 (b) The Commission shall authorize the issuance of refunding bonds by
32 resolution that may include:

- 1 (1) the date of the refunding bonds;
- 2 (2) the maturity dates of the refunding bonds, which may not exceed
3 **[40] 20** years from the date of issue;
- 4 (3) the interest rates on the refunding bonds, which may not exceed
5 10% annually;
- 6 (4) the denominations of the refunding bonds;
- 7 (5) the form of the refunding bonds, which may be coupon or
8 registered;
- 9 (6) registration or conversion privileges;
- 10 (7) the manner of executing the refunding bonds;
- 11 (8) the manner of payment at places in or outside of the State;
- 12 (9) terms for redemption before maturity;
- 13 (10) terms for replacement of mutilated, destroyed, stolen, or lost
14 bonds; and
- 15 (11) any other terms, conditions, or covenants.

16 (c) Refunding bonds issued to refund outstanding bonds for which front foot
17 benefit charges have been imposed shall mature on or before 1 year after the date set
18 for the payment of the final installment of the front foot benefit charge.

- 19 (d) (1) Refunding bonds may be:
- 20 (i) exchanged for bonds being refunded;
 - 21 (ii) sold at public sale; or
 - 22 (iii) subject to paragraph (2) of this subsection, sold at a
23 negotiated sale in an open meeting.

24 (2) Refunding bonds may be sold at a negotiated sale if the
25 Commission determines:

- 26 (i) that a public sale would be impracticable to effectuate the
27 purpose of the refunding bonds; and
- 28 (ii) the price, terms, and conditions are in the best interest of
29 the Commission.

1 (e) (1) At least 45 days before the sale or exchange of any refunding
2 bonds, the Commission shall deliver its plan on the issuance of the refunding bonds to
3 the county executives and county councils of Montgomery County and Prince George's
4 County.

5 (2) Except as provided in paragraph (3) of this subsection, the
6 Commission may not sell or exchange the refunding bonds unless the plan under
7 paragraph (1) of this subsection is approved by the county executives and county
8 councils of Montgomery County and Prince George's County.

9 (3) (i) On or before 30 days after the delivery of the plan, the
10 county executives and county councils of Montgomery County and Prince George's
11 County shall approve or disapprove of the plan.

12 (ii) Failure of a county executive or county council of
13 Montgomery County or Prince George's County to act within 30 days is deemed as
14 approval of the plan by that county.

15 (4) The county executives and county councils of Montgomery County
16 and Prince George's County may waive the time period requirements under this
17 subsection.

18 (f) If an officer whose signature or facsimile signature appears on a
19 refunding bond or coupon ceases to be an officer before the delivery of the refunding
20 bond, the signature or facsimile is valid and sufficient as if the officer remained in
21 office until delivery.

22 (g) Refunding bonds issued to refund bonds guaranteed as to payment of
23 principal and interest by Montgomery County or Prince George's County may be
24 guaranteed in the same manner and form as under § 22-104 of this subtitle.

25 (h) Refunding bonds authorized under this section are:

26 (1) in addition to any other bonds authorized under this subtitle; and

27 (2) included in computing the amount of bonds that may be issued
28 under the 7% limitation under § 22-103 of this subtitle.

29 (i) Refunding bonds authorized under this section are forever exempt from
30 taxation by the State and counties and municipalities in the State.

31 (j) The powers granted under this section are not subject to the provisions of
32 any other law in conflict with the powers.

33 25-214.

1 (a) This section applies to the collection of benefit charges for the
2 Commission by the directors of finance of Prince George's County and Montgomery
3 County or by other tax collecting authorities in those counties.

4 (b) Each year, for 30 days before the collection of taxes begins in
5 Montgomery County and Prince George's County, the Commission shall have access to
6 the records of the treasury division in each county's department or office of finance to
7 inform each county:

8 (1) regarding which properties or property owners are subject to a
9 benefit charge and the annual benefit charge imposed on the property;

10 (2) regarding each property on which the Commission has imposed a
11 benefit charge that was not subject to State or county taxes; and

12 (3) of the total benefit charge imposed for all properties in the county.

13 (c) (1) (i) All laws relating to the collection of county taxes apply to
14 the collection of a benefit charge.

15 (ii) A benefit charge:

16 1. for purposes of collection, shall be treated as a county
17 tax;

18 2. shall bear the same interest and penalties as a county
19 tax; and

20 3. shall be advertised with, and in the same manner as,
21 a county tax.

22 (2) The director of finance shall collect a benefit charge in accordance
23 with this section.

24 (3) The director of finance:

25 (i) shall refer a protest, objection, or complaint concerning a
26 benefit charge to the Commission; and

27 (ii) may not refund, change, or amend a benefit charge.

28 (4) A property redeemed from a county tax sale or a property sold by
29 the county council of Montgomery County or Prince George's County after a final tax
30 sale may not be redeemed or sold except on payment of the benefit charge due on the
31 property.

1 (5) A property subject to a delinquent benefit charge shall be sold for
2 the delinquent benefit charge at the same time and in the same manner as property
3 sold for delinquent county taxes.

4 (d) (1) The director of finance shall:

5 (i) print on the tax bill:

6 “To Sanitary Commission benefit charge \$.... **THIS IS PAYMENT NUMBER**
7 **OF REQUIRED TOTAL PAYMENTS DUE ON THIS PROPERTY.**”;

8 (ii) provide a space on the tax bill for the interest or penalty;

9 (iii) make the proper entries on each tax bill mailed; and

10 (iv) collect the amount specified on the bill for the benefit charge
11 with the State and county taxes.

12 (2) In Montgomery County, each property tax bill shall list separately
13 any deferred water main or sewer connection benefit charges applicable to an assessed
14 property.

15 (e) (1) On or before the 10th day of each month, the director of finance
16 shall pay the Commission the amount of the benefit charges collected by the director of
17 finance through the last day of the preceding month.

18 (2) If the director of finance does not pay the amount due the
19 Commission as provided in paragraph (1) of this subsection, the amount due shall bear
20 a penalty of 1% per month.

21 (3) The director of finance is personally liable for failure to pay the
22 amount due to the Commission.

23 (4) The county councils of Montgomery County and Prince George’s
24 County shall require the bonds of its respective director of finance to be conditioned on
25 payment to the Commission of the amount collected under this section.

26 (f) (1) By December 1 of each year, the Commission shall pay
27 Montgomery County and Prince George’s County a reasonable amount for the services
28 of its respective director of finance.

29 (2) The payment provided for in paragraph (1) of this subsection shall
30 be included as an item in the Commission’s operating budget.

31 **25–215.**

32 **NOTWITHSTANDING ANY OTHER PROVISION OF LAW:**

1 **(1) IF, ON OR BEFORE OCTOBER 1, 2011, AS TO A PROPERTY**
2 **AGAINST WHICH A BENEFIT CHARGE HAS BEEN ASSESSED FOR LESS THAN 20**
3 **YEARS, THE COMMISSION MAY NOT ASSESS THAT BENEFIT CHARGE FOR**
4 **LONGER THAN 20 YEARS FROM THE YEAR THAT THE BENEFIT CHARGE WAS**
5 **INITIALLY ASSESSED AGAINST THE PROPERTY;**

6 **(2) THE COMMISSION MAY NOT RECALCULATE OR INCREASE A**
7 **BENEFIT CHARGE BECAUSE OF A REDUCTION IN REVENUES COLLECTED BY THE**
8 **COMMISSION AS A RESULT OF THIS SECTION;**

9 **(3) AS TO RESIDENTIAL REAL PROPERTY CONSTRUCTED IN**
10 **MONTGOMERY COUNTY AND PRINCE GEORGE'S COUNTY ON OR AFTER**
11 **OCTOBER 1, 2011, A BENEFIT CHARGE MAY NOT BE ASSESSED BY THE**
12 **COMMISSION AGAINST THE PROPERTY FOR MORE THAN 20 YEARS; AND**

13 **(4) THE COMMISSION SHALL USE THE MONEY IN THE CURRENT**
14 **BOND FUND UNDER § 22-107 OF THIS DIVISION II TO OFFSET ANY REDUCTION**
15 **IN REVENUES COLLECTED BY THE COMMISSION AS A RESULT OF THIS SECTION.**

16 SECTION 2. AND BE IT FURTHER ENACTED, That, notwithstanding any
17 other provision of law, on or before October 1, 2011, for a property owner against
18 whose property a benefit charge has been assessed by the Washington Suburban
19 Sanitary Commission for the immediately preceding 20 years, the benefit charge shall
20 be deemed as having been paid in full. The Commission shall promptly take the
21 necessary steps to implement this section.

22 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
23 October 1, 2011.