

**THE TOWN OF MOUNT AIRY  
TOWN COUNCIL RESOLUTION NO. 2026-3**

**A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF MOUNT AIRY  
FOR THE PURPOSE OF ESTABLISHING AND MAINTAINING A WATER AND  
SEWER RESERVE BALANCE OF \$4,200,000.00.**

**WHEREAS**, the Mayor, Town Staff (*i.e.*, the Town Administrator, Town Engineer and the Town Finance Department), Town Council and the Town’s Water and Sewer Commission have undertaken an extensive and comprehensive review of the Town’s water and sewer budgets, recommended and/or needed capital improvements, ongoing and future costs of maintenance and revenues from the water and sewer rates charged to water users in the Town and development impact fees, as well as future deficits between costs associated with operation and capital improvement expenses associated with the operation of the water and sewer system within the Town projected by the Town’s Water and Sewer Commission and/or Town Staff; and

**WHEREAS**, Water operations currently operate at approximately a \$257,000 annual deficit due to a \$140,000 annual increase in sludge hauling, increased chemical, electricity, and maintenance costs, revenue growth not keeping pace with system expenses, historical overestimation of revenue prior to the new meters, no inflationary rate adjustments for several years; and

**WHEREAS**, as a result, the Town’s water and sewer reserve balances have steadily decreased over time and are projected to continue to deplete without increases and/or restructuring of the Town’s water and sewer rates in order to maintain the system and to replenish water and sewer reserve balances; and

**WHEREAS**, industry guidance (*e.g.*, from the Government Finance Officers Association (“GFOA”), Maryland Water Infrastructure Financing Administration (“MWIFA”), Environmental Protection Agency (“EPA”), the Maryland Center for Environmental Training (“MCET”), American Water Works Association (“AWWA”)) recommends six months to one year of operating reserves, which for the Town of Mount Airy, the reserve target would be approximately \$4.2 million (based on current year estimates); and

**WHEREAS**, Ordinance 2026-3 implements a five-year restructuring schedule of the Town’s water and sewer rates for the purposes of eliminating the current structural operating deficit, restores reserves to the industry-recommended level, supports long-term capital replacement and reinvestment, updates and corrects the Town’s tier structure, aligning heavy users with proportional system impact, corrects tier gaps, adds high-volume usage tiers, moderates increases in rates between usage tiers, ensures affordability and rate stability for residential users, imposes higher proportional contribution with higher end usage, reduces the burden on residential customers and ensures the long-term stability of the Town’s water and sewer systems; and

**WHEREAS**, the purpose of this Resolution is to complement Ordinance 2026-3 by establishing a Town of Mount Airy policy for the review, monitoring and management of municipal reserves dedicated to water and sewer capital and operating expenses, ensuring fiscal responsibility and continuity of essential services; and

**WHEREAS**, pursuant to the Town Code, Section 38-3, the Town’s Water and Sewer Commission is charged with the responsibility to, among other things, “monitor and report on water and sewer systems' demand and capacity[,] . . . make recommendations for actions by Town staff, the Mayor and Town Council to ensure that citizens have access to essential services without restriction to the greatest degree possible even under adverse weather conditions[]”, to “review and make recommendations upon water and sewer usage rates and overall development fees, including but not limited to water and sewer connection fees, annual assessment fees, water and sewer service fees, impact fees, and temporary surcharges to pay for principal and interest on loans for new water sources or to upgrade or expand water and wastewater treatment facilities”; and

**WHEREAS**, pursuant to Section 38-4, the Water and Sewer Commission shall “present a timely annual report on actual usage during the previous year ending December 31 and projected usage and capacities for each of the ensuing five years and for 10 years in the future”; and

**WHEREAS**, on February 4, 2026, the Town’s Water and Sewer Commission unanimously approved and recommended the adoption of this Resolution.

**NOW, THEREFORE, BE IT RESOLVED** by the Town Council of the Town of Mount Airy that the Town hereby:

- A. Rescinds Resolution 2026-6 and replaces same with this Resolution; and
- B. The Town Council resolves to maintain a reserve fund of \$4,200,000 adjusted at the beginning of each fiscal year for inflation for water and sewer capital and operating expenses, and the town further resolves to maintain a minimum balance of \$2,100,000, adjusted at the beginning of each fiscal year for inflation representing one half of the reserve amount; and
- C. Under the direction of the Mayor, the Town Administrator, in consultation with appropriate staff and incorporating the Water and Sewer Commission’s review and recommendations per its duties as set forth in Town Code § 38-3, shall perform the following and provide findings and recommendations in an annual report to the Town Council:
  1. Monitor implementation of the Town’s Multi-Year Water and Sewer Capital Improvement and Operating Plan, and the reserve fund balance.
    - a. If reserves drop below \$4,200,000 but stay at or above \$2,100,000, propose a plan to restore the fund, considering measures such as

expenditure cuts, reprioritizing projects, improving efficiency, and/or increasing revenue.

- b. If reserves drop below \$2,100,000, promptly consider delaying non-essential spending and present a plan to raise the balance to at least \$2,100,000 as soon as is practicable, considering measures such as expenditure cuts, essential project prioritization, efficiency improvements, revenue increases, and/or emergency actions.
2. Monitor consumer price indices, construction costs, and operating trends for water and sewer services and determine if inflation-based changes to the reserve fund balance and/or water and sewer rates are needed for fiscal stability or customer relief.

INTRODUCED:

The 2<sup>nd</sup> day of March, 2026.

ADOPTED:

This 2<sup>nd</sup> day of March, 2026 by a vote of \_\_\_\_\_ in favor and \_\_\_\_\_ opposed.

ATTEST:

\_\_\_\_\_  
Jason Evans, Secretary

\_\_\_\_\_  
Tim Washabaugh, President of the Council

ATTEST:

\_\_\_\_\_  
Jason Evans, Secretary

\_\_\_\_\_  
Larry Hushour, Mayor

Reviewed and approved as to legal sufficiency  
this 2<sup>nd</sup> day of March, 2026

---

Thomas V. McCarron, Town Attorney