

For:
Introduction: 2/2/26
Public hearing: N/A
Adopted: 3/2/26
Effective: 3/23/26 (upon expiration of 20
calendar days following approval by Mayor or
passage by Council over Mayor's veto by 4/5ths
of the whole Council)

THE TOWN OF MOUNT AIRY, MARYLAND

ORDINANCE NO. 2026-3

**AN ORDINANCE TO AMEND PART II
OF THE CODE OF THE TOWN OF MOUNT AIRY
ENTITLED "GENERAL LEGISLATION,"
CHAPTER 109 ENTITLED "WATER,"
ARTICLE II ENTITLED "WATER AND SEWER
RATES", SECTION 109-22 ENTITLED
"WATER RATE SCHEDULE; METERED SERVICE",
SECTION 109-22.1 ENTITLED "SYSTEM BENEFIT CHARGE"
AND SECTION 109-23 ENTITLED "SEWER RATE SCHEDULE"**

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, based on capital planning and national standards used by the Government Finance Officers Association ("GFOA"), the Maryland Water Infrastructure Financing Administration ("MWIFA"), the American Water Works Association ("AWWA"), and the Maryland Center for Environmental Training ("MCET"), Mount Airy requires approximately \$1.29 million per year (based on current year estimates) in long-term reinvestment to maintain safe and reliable water and sewer service as follows: water capital – approximately \$700,000 annually (wells, PFAS upgrades, treatment components, water main replacements, storage tank rehabilitation); sewer capital - approximately \$590,000 annually (collection system rehab, pump stations, WWTP equipment replacement)

WHEREAS, current revenues cannot support the needs of the Town’s water and sewer system without a phased rate plan; and

WHEREAS, Industry guidance (GFOA, MWIFA, the Environmental Protection Agency (“EPA”), MCET, AWWA) recommends 6 months to 1 year of operating reserves, which for Mount Airy, the reserve target would be approximately \$4.2 million (based on current year estimates); and

WHEREAS, the current water and sewer tiers within the Town are inconsistent and outdated, including for the following reasons: the 80,000+ gallon tier captured users ranging from 80,000 to over 1,000,000 gallons, and large commercial users are not proportionally contributing to system load; and

WHEREAS, the Town Council has considered long and short-term proposals to raise water and sewer rates, including as proposed in prior ordinances, which the Town Council did not enact because a majority of the Councilmembers did not believe that a short term adjustment to the water and sewer rates would solve the aforementioned structural water and sewer deficits, would require further increases to those rates in the coming years and/or in order to explore a more comprehensive restructuring of the water and sewer rates; and

WHEREAS, the Town Council has expressed an interest in considering a long-term restructuring of the Town’s water and sewer rates; and

WHEREAS, Town Staff reviewed and developed an initial proposal for an ordinance that would restructure the Town’s water and sewer system; and

WHEREAS, at its January 7, 2026 meeting the Town’s Water and Sewer Commission reviewed the existing water and sewer rate structure applicable within the Town limits, and the Town Staff’s proposal for structuring the water and sewer rate system and voted to recommend changes to the rates as proposed herein with an effective date of January 7, 2026; and

WHEREAS, after presentation during the March 2, 2026 meeting and after receiving public comment, the Town Council concluded that a long-term restructuring as proposed in this ordinance is needed to meet the goal of reestablishing a fiscally sound Water and Sewer Fund; and

WHEREAS, this ordinance proposes a five-year rate restructuring schedule for the purposes of eliminating the current structural operating deficit, restoring reserves to the industry-recommended level, supporting long-term capital replacement and reinvestment, updating and correcting the Town’s tier structure, aligning heavy users with proportional system impact, correcting tier gaps, adding high-volume usage tiers, moderating increases in rates between usage tiers, ensuring affordability and rate stability for residential users, imposing higher proportional contribution with higher end usage, reducing the burden on residential customers and ensuring the long-term stability of the Town’s water and sewer systems; and

WHEREAS, enactment of this ordinance is estimated to result in projected excess revenue of approximately \$164,421 in fiscal year 2031 with reserves beginning to rebuild steadily in fiscal year 2029 through fiscal year 2031, thereby enabling ongoing annual reserve contributions, with annual revenue as projected in the following table:

Revenue Forecast Summary (FY26–FY31)

Year	Total Revenue	Expenses	Excess/Deficit	Reserves
FY27	\$3,618,469	\$4,389,982	(\$771,512)	\$2,728,488
FY28	\$4,267,979	\$4,521,681	(\$253,702)	\$2,474,785
FY29	\$4,796,816	\$4,657,331	\$139,484	\$2,614,270
FY30	\$5,026,657	\$4,797,051	\$229,605	\$2,843,875
FY31	\$5,105,384	\$4,940,963	\$164,421	\$3,008,296

; and

WHEREAS, the enactment of this ordinance will result in 17–19% nominal increases in fiscal year 2027 for most residential accounts, no increase exceeding 20% in fiscal year 2027 for residential accounts, and reevaluated adjusted water and sewer rates as follows:

Fiscal Year	Nominal Increase	Actual Bill Impact	Notes
FY27	21%	~17–19% for most residential accounts	Restructured tiers; some impacts over 20% occur in first year only
FY28	19%	~19%	Increased to meet reserve targets
FY29	13%	~13%	Reduced from earlier models; stabilizes fund
FY30	5%	~5%	Normalization period
FY31	3%	~3%	Annual inflationary indexing begins

; and

WHEREAS, this ordinance creates four new high-volume tiers: 40,000-100,000 gallons, 100,001–250,000 gallons, 250,001–1,000,000 gallons, and 1,000,001+ gallons, resulting in proportionally higher rates for higher water and sewer usage; and

WHEREAS, this ordinance corrects the structural deficit by fiscal year 2029, rebuilds reserves to over \$3 million (61% of current annual expenses) by fiscal year 2031, and establishes a sustainable, inflation-matched base going forward; and

WHEREAS, this ordinance includes a one-time restructuring impact in fiscal year 2027, with some increases over 20% decreasing significantly in each of the next four years (fiscal year 2028–fiscal year 2031).

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE TOWN OF MOUNT AIRY:

Section 1. That Chapter 109 of the Code of the Town of Mount Airy is hereby amended to repeal and reenact with amendments Section 109-22 of the Code as follows:

§109-22. Water rate schedule; metered service.

- A. The following rates shall be applied to all water consumed on a quarterly basis effective ~~September 1, 2023~~ upon the start of the June, 2026 water and sewer billing cycle and shall remain in effect through water usage up to the start of the June, 2027 water and sewer billing cycle:
- (1) A flat service fee of ~~\$25.00~~ 30.00 will be charged to each consumer connected to the system.
 - (2) On the first 6,000 gallons consumed, the rate charged will be ~~\$2.50~~ 3.20 for each 1,000 gallons.
 - (3) On the next 6,000 gallons consumed (to a total of 12,000 gallons), the rate charge will be ~~\$4.57~~ 4.33 for each 1,000 gallons.
 - (4) On the next 8,000 gallons consumed (to a total of 20,000 gallons), the rate charge will be ~~\$5.09~~ 5.30 for each 1,000 gallons.
 - (5) On the next 20,000 gallons consumed (to a total of 40,000 gallons), the rate charge will be ~~\$7.00~~ 6.05 for each 1,000 gallons.
 - (6) On the next ~~20,000~~ 60,000 gallons consumed (to a total of ~~60,000~~ 100,000 gallons), the rate charge will be ~~\$7.24~~ 7.70 for each 1,000 gallons.
 - (7) ~~For all gallonage in excess of~~ On the next 60,000 150,000 gallons consumed, (up to a total of 80,000 250,000 gallons), the rate charge shall be ~~\$8.32~~ 9.70 for each 1,000 gallons.
 - (8) ~~For all gallonage in excess of~~ On the next 80,000 750,000 gallons consumed (to a total of 1,000,000 gallons), the rate charge shall be ~~\$9.38~~ 10.70 for each 1,000 gallons.
 - (9) For all gallonage in excess of 1,000,000 gallons consumed, the rate charge shall be \$12.50 for each 1,000 gallons.
- B. ~~The above water rates shall be billed on a quarterly basis to the owner or owners of each property to which water is furnished, without regard to whether the property is owner-occupied or otherwise. The charges shall constitute a lien and bear interest as provided in §109.24. The flat service fee set forth in subsection A.(1) above and the rates set forth in subsection A.(2) through (9) above shall increase annually beginning with water usage up to the start of the June, 2027 water and sewer billing cycle and thereafter as follows:~~

- (1) 19% for water usage up to the start of the June, 2028 water and sewer billing cycle.
- (2) 13% for water usage up to the start of the June, 2029 water and sewer billing cycle.
- (3) 5% for water usage up to the start of the June, 2030 water and sewer billing cycle.
- (4) 3% for water usage beginning with the start of the June, 2030 water and sewer billing cycle, and each year thereafter.

C. The above water rates shall be billed on a quarterly basis to the owner or owners of each property to which water and sewer service is furnished, without regard to whether the property is owner-occupied or otherwise. The charges shall constitute a lien and bear interest as provided in §109-24.

Section 2. That Chapter 109 of the Code of the Town of Mount Airy is hereby amended to repeal and reenact with amendments Section 109-22.1 of the Code as follows:

§109-22.1. System benefit charge.

A. In addition to the water rate charges set forth in § 109.22 of this chapter, there shall also be a system benefit charge which shall be applied to all water consumed on a quarterly basis upon the start of the June, 2026 water and sewer billing cycle and shall remain in effect through water usage up to the start of the June, 2027 water and sewer billing cycle:

- (1) A flat rate of \$~~45~~ 18 will be charged for all water consumed up to 40,000 gallons.
- (2) On each additional ~~23,000~~ 23,000 gallons consumed per quarter above 40,000 gallons, an additional \$~~45~~ 18 will be charged.

B. ~~The above system benefit charge shall be billed on a quarterly basis to the owner or owners of each property to which water is furnished, without regard to whether the property is owner-occupied or otherwise. The charges shall constitute a lien and bear interest as provided in § 109-24.~~ The system benefit charges set forth in subsections A.(1) and A.(2) shall increase annually beginning with water usage up to the start of the June, 2027 water and sewer billing cycle and thereafter as follows:

- (1) 20% for water usage up to the start of the June, 2028 water and sewer billing cycle.
- (2) 19% for water usage up to the start of the June, 2029 water and sewer billing cycle.

(3) 13% for water usage up to the start of the June, 2030 water and sewer billing cycle.

(4) 5% for water usage up to the start of the June, 2031 water and sewer billing cycle.

(5) 3% for water usage beginning with the start of the June, 2031 water and sewer billing cycle, and each year thereafter.

- C. The above system benefit charge shall be billed on a quarterly basis to the owner or owners of each property to which water is furnished, without regard to whether the property is owner-occupied or otherwise. The charges shall constitute a lien and bear interest as provided in § 109-24.

Section 3. That Chapter 109 of the Code of the Town of Mount Airy is hereby amended to repeal and reenact with amendments Section 109-23 of the Code as follows:

§109-23. Sewer rate schedule.

- A. These rates shall be a quarterly charge for sewer use effective ~~September 1, 2023~~ upon the start of the June, 2026 water and sewer billing cycle and shall remain in effect through water usage up to the start of the June, 2027 water and sewer billing cycle:

- (1) A flat service fee of ~~\$28.00~~ 33.60 will be charged to each customer connected to the system.
- (2) For the first 6,000 gallons consumed, the rate chargeable shall be ~~\$3.25~~ 3.55 for each 1,000 gallons.
- (3) On the next ~~14,000~~ 6,000 gallons consumed (to a total of ~~20,000~~ 12,000 gallons), the rate charge shall be ~~\$3.70~~ 4.86 for each 1,000 gallons.
- (4) On the next ~~20,000~~ 8,000 gallons consumed (to a total of ~~40,000~~ 20,000 gallons), the rate charge shall be ~~\$4.75~~ 5.90 for each 1,000 gallons.
- (5) On the next 20,000 gallons consumed (to a total of ~~60,000~~ 40,000 gallons), the rate charge shall be ~~\$5.00~~ 6.79 for each 1,000 gallons.
- (6) On the next ~~20,000~~ 60,000 gallons consumed (to a total of ~~80,000~~ 100,000 gallons), the rate charge shall be ~~\$5.25~~ 8.61 for each 1,000 gallons.
- (7) ~~The rate charge in excess of~~ On the next ~~80,000~~ 150,000 gallons consumed (to a total of 250,000 gallons), the rate charge shall be ~~\$5.50~~ 10.85 for each 1,000 gallons.

(8) On the next 750,000 gallons consumed (to a total of 1,000,000 gallons), the rate charge shall be \$12.05 for each 1,000 gallons.

(9) For all gallonage in excess of 1,000,000 gallons consumed, the rate charge shall be \$14.15 for each 1,000 gallons.

B. ~~The above sewer rates shall be billed on a quarterly basis to the owner or owners of each property to which water and sewer service is furnished, without regard to whether the property is owner-occupied or otherwise. The charges shall constitute a lien and bear interest as provided in §109-24. The flat service fee set forth in subsection A.(1) above and the rates set forth in subsection A.(2) through (9) above shall increase annually beginning with sewer usage up to the start of the June, 2027 water and sewer billing cycle and thereafter as follows:~~

(1) 19% for sewer usage up to the start of the June, 2028 water and sewer billing cycle.

(2) 13% for sewer usage up to the start of the June, 2029 water and sewer billing cycle.

(3) 5% for sewer usage up to the start of the June, 2030 water and sewer billing cycle.

(4) 3% for sewer usage beginning with the start of the June, 2030 water and sewer billing cycle, and each year thereafter.

C. The above sewer rates shall be billed on a quarterly basis to the owner or owners of each property to which water and sewer service is furnished, without regard to whether the property is owner-occupied or otherwise. The charges shall constitute a lien and bear interest as provided in §109-24.

BE IT ENACTED AND ORDAINED BY THE AUTHORITY AFORESAID, that this Ordinance shall take effect on the 23rd day of March, 2026 (upon expiration of 20 calendar days following approval by Mayor or passage by Council over Mayor's veto by 4/5ths of the whole Council).

Introduced the 2nd day of February, 2026.

Enacted the 2nd day of March, 2026 by a vote of _____ in favor and _____ opposed.

ATTEST:

Jason Evans, Secretary

Tim Washabaugh,
President of the Town Council

Approved this 2nd day of March, 2026.

ATTEST:

Jason Evans, Secretary

Larry Hushour, Mayor

REVIEWED AND APPROVED AS TO LEGAL FORM AND SUFFICIENCY.
this 2nd day of , 2026.

Thomas V. McCarron, Town Attorney